As filed with the Securities and Exchange Commission on April 29, 2024

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-32696

COPA HOLDINGS, S.A.

(Exact name of Registrant as Specified in Its Charter)

Not Applicable
(Translation of Registrant's Name Into English)

Republic of Panama
(Jurisdiction of Incorporation or Organization)

Avenida Principal y Avenida de la Rotonda, Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre, Panama City
Panama 0816-06819
(Address of Principal Executive Offices)

Daniel Tapia
Complejo Business Park, Torre Norte
Parque Lefevre, Panama City, Panama
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(Registrant's Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange On Which Registered
Class A Common Stock, without par value	CPA	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2023, there were outstanding 42,039,814 shares of common stock, without par value, of which 31,101,689 were Class A shares and 10,938,125 were Class B shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of Exchange Act.:

Large Accelerated Filer ☒	**Accelerated Filer ☐**	**Non-accelerated Filer**	☐
		Emerging Growth Company	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐	**International Financial Reporting Standards as issued by the International Accounting Standards Board**	☒	**Other ☐**

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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Introduction

In this annual report on Form 20-F, unless the context otherwise requires, references to “Copa Airlines” are to Compañía Panameña de Aviación, S.A., the consolidated operating entity, “Wingo” refers to the low-cost business model offered by AeroRepública and La Nueva Aerolínea, S.A., and references to “Copa”, “Copa Holdings”, “we”, “us” or the “Company” are to Copa Holdings, S.A. and its consolidated subsidiaries. References to “Class A shares” refer to Class A shares of Copa Holdings, S.A.

This annual report contains terms relating to operating performance that are commonly used within the airline industry and are defined as follows:

- “Aircraft utilization” represents the average number of block hours operated per day per aircraft for the total aircraft fleet.
- “Available seat miles” or “ASMs” represents the aircraft seating capacity multiplied by the number of miles the seats are flown.
- “Average stage length” represents the average number of miles flown per flight segment.
- “Block hours” refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.
- “Load factor” represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger miles by available seat miles).
- “Operating expense per available seat mile” represents operating expenses divided by available seat miles.
- “Operating revenue per available seat mile” represents operating revenues divided by available seat miles.
- “Passenger revenue per available seat mile” represents passenger revenues divided by available seat miles.
- “Revenue passenger miles” represents the number of miles flown by revenue passengers.
- “Revenue passenger kilometers” represents the number of kilometers flown by revenue passengers.
- “Revenue passengers” represents the total number of paying passengers (including all passengers redeeming frequent flyer miles and other travel awards) flown on all flight segments (with each connecting segment being considered a separate flight segment).
- “Yield” represents the average amount one passenger pays to fly one mile.

Market Data

This annual report contains certain statistical data regarding our airline routes, our competitive position, market share and the market size of the Latin American airline industry. This information has been derived from a variety of sources, including the International Air Transport Association, the U.S. Federal Aviation Administration, the International Monetary Fund and other third-party sources, governmental agencies or industry or general publications. Information for which no source is cited has been prepared by us on the basis of our knowledge of Latin American airline markets and other information available to us. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable. In addition, sources other than us use methodologies that are not identical to ours and may produce results that differ from our own estimates. Although we have not independently verified the information concerning our competitive position, market share, market size, market growth or other similar data provided by third-party sources or by industry or general publications, we believe these sources and publications are generally accurate and reliable.

Presentation of Financial and Statistical Data

Included in this annual report are our audited consolidated statement of financial position as of December 31, 2023 and 2022, and the related audited consolidated statements of profit or loss, comprehensive income or loss, changes in equity and cash flows for the years ended December 31, 2023, 2022 and 2021.

The details of the changes in accounting policies or presentation are disclosed in note 5 of our annual consolidated financial statements.

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or "IFRS," as issued by the International Accounting Standards Board, or "IASB."

Unless otherwise indicated, all references in the annual report to "$" or "dollars" refer to U.S. dollars.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Special Note About Forward-Looking Statements

This annual report includes forward-looking statements, principally under the captions "Risk Factors," "Business Overview" and "Operating and Financial Review and Prospects." We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward- looking statements, including, among other things:

- general economic, political and business conditions in Panama and Latin America and particularly in the geographic markets we serve;
- our management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our level of debt and other fixed obligations;
- demand for passenger and cargo air service in the markets in which we operate;
- competition;
- our capital expenditure plans;
- changes in the regulatory environment in which we operate;
- changes in labor costs, maintenance costs, fuel costs and insurance premiums;
- changes in market prices, customer demand and preferences and competitive conditions;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy;
- our ability to obtain financing on commercially reasonable terms; and
- the risk factors discussed under "Risk Factors" beginning on page 3.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after the date of this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward- looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

Considering these limitations, you should not place undue reliance on forward-looking statements contained in this annual report.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Not applicable.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to our Company

Failure to successfully implement our business strategy may adversely affect our results of operations and harm the market value of our Class A shares.

We intend to continue expanding our service to new markets as well as increasing the frequency of flights to the markets we currently serve. Achieving these goals allows our business to benefit from cost efficiencies resulting from economies of scale. We expect to have substantial cash needs as we expand, including cash required to fund aircraft acquisitions or aircraft deposits as we add to our fleet. If we do not have enough cash to fund such projects, we may not be able to successfully expand our route system, therefore, our future revenue and earnings growth would be limited.

As we restart routes, add new frequencies to existing routes or add new routes, our advertising and other promotional costs generally increase, which may result in initial losses that could have a negative impact on our results of operations as well as require substantial amounts of cash. We also periodically run special promotional fare campaigns. Promotional fares can have the effect of increasing load factors while reducing our yield on such routes during the period that they are in effect. The number of markets we serve and flight frequencies depend on available demand and on our ability to identify the appropriate geographic markets upon which to focus and to gain suitable airport access in addition to route approval in the aforementioned markets. There can be no assurance that the markets we enter will yield passenger traffic at the expected fares that will be sufficient to make our operations in those new markets profitable. Any condition that would prevent or delay our access to key airports or routes, including limitations on the ability to process more passengers, the imposition of flight capacity restrictions, the inability to secure additional route rights or renew existing route rights that we ceased to use during the pandemic, under bilateral agreements or the inability to maintain our existing slots, flight banks and obtain additional slots, could constrain the expansion of our operations.

Our business also requires skilled personnel, equipment and facilities. The inability to hire, train and/or retain pilots and other personnel or secure the required equipment and facilities efficiently, cost-effectively, and on a timely basis, could adversely affect our ability to execute our plans. It also could strain our existing management resources and operational, financial and management information systems to the point where they may no longer be adequate to support our operations, requiring us to make significant expenditures in these areas. Difficulties obtaining necessary equipment could also affect our business. Considering these factors, we cannot ensure that we will be able to successfully establish new markets or expand our existing markets, and our failure to do so could have an impact on our business and results of operations, as well as the value of our Class A shares.

Our performance is heavily dependent on economic and political conditions in the countries in which we do business.

Travel expenditures are sensitive to personal and business discretionary spending levels and tend to grow more slowly or decline during economic downturns. A substantial portion of our assets is located in Panama and a significant portion of our passengers' trips either originate or end in Panama. Furthermore, a large majority of Copa's flights operate through our hub at Tocumen International Airport. As a result, we depend on economic and political conditions prevailing from time to time in Panama.

In the fourth quarter of 2023, Panama experienced significant political and economic disruption due to the Panamanian government's contract with a Canadian mining company, First Quantum, which led to widespread protests that caused disruptions in various key sectors, including transportation and retail. Additionally, the upcoming 2024 Panamanian general elections may generate further uncertainty, as political shifts could lead to changes in economic or regulatory policies that could affect the business environment in Panama. Additionally, loss of investor confidence or a downgrade of Panama's investment grade credit rating could result in increases to financing costs and adversely affect our operations in Panama.

We also derive a substantial portion of our revenues from Colombia, Brazil, the United States, Argentina, and other countries in Latin America. We have been negatively impacted by poor economic performance in certain emerging market countries in which we operate, as well as by weaker Latin American currencies.

For example, the recent political shift in Argentina's government could lead to significant policy reforms, which might include a potential change in the national currency. A new currency or further devaluations of the Argentine Peso could increase the cost of our operations and the value of our assets in the country. The uncertainty associated with political and economic shifts might also impact our investment decisions and long-term strategy in Argentina.

In addition, Venezuela has experienced difficult political conditions and declines in the rate of economic growth in recent periods as well as governmental actions that have adversely impacted businesses operating there. In December 2020, we cancelled flights between Panama and Venezuela, due to the Venezuelan government's restrictions on air travel aimed at controlling the spread of COVID-19 pandemic. We resumed service between Panama and Venezuela in January 2021 after the Venezuelan government lifted the passenger flight restrictions. On May 15, 2019, the Homeland Security Department of the United States announced a suspension of all commercial passenger and cargo flights between the United States and Venezuela. The U.S. Department of Transportation (DOT) concurred with this determination and issued an order suspending all foreign air transportation for passengers or cargo to or from any airport in Venezuela.

Any of the following developments (or a continuation or worsening of any of the following currently in existence) in the countries in which we operate could adversely affect our business, financial condition, liquidity and results of operations:

- changes in economic or other governmental policies, including exchange controls;
- changes in regulatory, legal or administrative practices; or
- other political or economic developments over which we have no control.

Additionally, a significant portion of our revenues are derived from discretionary and leisure travel, which are especially sensitive to economic downturns and political conditions. An adverse economic and/or political environment, whether global, regional or in a specific country, could result in a reduction in passenger traffic, and leisure travel in particular, as well as a reduction in our cargo business, and could also impact our ability to raise fares, which in turn would materially and negatively affect our financial condition and results of operations.

The cost of financing our aircraft may increase, or the availability of financing could be limited, which could negatively impact our business.

We have historically been able to achieve favorable financing terms through commercial and US Export-Import bank guaranteed loans, sale-leasebacks, as well as operating leases. We have also been able to obtain financing through Japanese Operating Leases with Call Options ("JOLCOs"), which are a form of tax financial leases obtained from Japanese lenders. If the JOLCO market were to substantially decrease or become unavailable, this could limit our financing options and negatively impact our overall business.

Aviation financing costs have increased significantly in recent periods, in particular for financing denominated in U.S. dollars, as a result of central bank responses to inflation and global macroeconomic trends. If the costs of such financing increase or we are unable to obtain such financing, we may be forced to incur higher than anticipated financing costs, which could have an adverse impact on our business, including the execution of our growth strategy.

If we are unable to successfully operate new aircraft due to safety concerns, in particular our new Boeing 737 MAX aircraft, our business could be harmed.

We fly and rely on Boeing aircraft. As of December 31, 2023, we operated a fleet of 106 Boeing aircraft. In 2024, we expect to take delivery of three additional Boeing 737 MAX 9 aircraft and twelve additional Boeing 737 MAX 8 aircraft.

In the future we expect to continue incorporating new aircraft into our fleet. This is based on a variety of factors, including the implementation of our business strategy. Acquisition of new aircraft involves a variety of risks relating to their ability to be successfully placed into service including:

- manufacturer's delays in meeting the agreed upon aircraft delivery schedule;
- difficulties in obtaining financing on acceptable terms to complete our purchase of all of the aircraft we have committed to purchase; and
- the inability of new aircraft and their components to comply with agreed upon specifications and performance standards.

In addition, we cannot predict the reliability of our new fleet as the aircraft matures. In particular, we cannot predict the reliability of the Boeing 737 MAX aircraft, powered by LEAP 1B engines, which first entered commercial service in May 2017. The LEAP 1B engine was developed by Safran Aircraft Engines and GE through their joint company, CFM International, to power the next generation of single-aisle commercial jets. The LEAP 1B has been selected by Boeing as the exclusive power plant for the new 737 MAX single-aisle jetliner.

Following the Ethiopian Airlines accident involving a Boeing 737 MAX 8 aircraft on March 10, 2019, we suspended operations of our six Boeing 737 MAX 9 aircraft, after authorities in Panama and other countries grounded the 737 MAX fleet worldwide. On November 18, 2020, the FAA rescinded its grounding order, issued an airworthiness directive, and published various new requirements and operating procedures specific to the MAX aircraft. In January 2021, we resumed operations of our Boeing 737 MAX fleet after the authorization of the *AAC*.

However, the recent incident on January 5, 2024, involving an Alaska Airlines Boeing 737 MAX in Portland, Oregon, raised concerns over the 737 MAX's operational safety. Following this incident, the FAA issued directives leading to the temporary grounding of certain Boeing 737 MAX 9 aircraft, including 21 of our planes. From January 6 to January 29, a total of 1,788 flights were cancelled. After undergoing the technical inspections required by regulators, most of these aircraft have returned to our flight schedule. We cannot estimate any reputational and commercial impact that may have resulted from the grounding of Boeing MAX aircraft. Technical issues with our aircraft would increase our maintenance expenses and could lead to flight cancellations and other disruptions in our services.

We have historically operated using a hub-and-spoke model and are vulnerable to competitors offering direct flights between destinations we serve and/or opening new hubs.

The general structure of our flight operations follows what is known in the airline industry as a "hub-and-spoke" model. This model aggregates passengers by operating flights from a number of "spoke" origins to a central hub through which they are transported to their final destinations. In recent years, many traditional hub-and-spoke operators have faced significant and increasing competitive pressure from low-cost, point-to-point carriers on routes with sufficient demand to sustain point-to-point service. A point-to-point structure enables airlines to focus on the most profitable, high-demand routes and to offer greater convenience and, in many instances, lower fares. As demand for air travel in Latin America increases, some of our competitors have initiated non-stop service between destinations that we currently serve through our hub in Panama. Additionally, newer aircraft models, such as Boeing 737 MAX and Airbus 320-NEO, allow nonstop flights in certain city pairs that could not be served with prior generation narrow-body aircraft and may bypass our hub. Airbus will also launch the A321 XLR: a new model of the Airbus 320 family that will extend the range of the current Airbus 320 NEO allowing competitors to explore new competitive routes overflying our Hub. It is expected to be released in 2024. Competitors are also opening new international hubs, especially in Brazil. Competitive services, which bypass our hub in Panama, may be more convenient and possibly less expensive than our services and could significantly decrease demand for our service to those destinations. In December 2016, we launched a low-cost business model, Wingo, to diversify our offerings and to better compete with other low-cost carriers, or "LCCs," in the market. However, our traditional hub-and-spoke model remains our primary operational model and we believe that competition from point-to-point carriers will be directed towards the largest markets that we serve and is likely to continue at this level or intensify in the future. As a result, the effect of competition on us could be significant and could have a material adverse effect on our business, financial condition and results of operations.

We may not realize benefits from Wingo, our low-cost business model.

Wingo is our low-cost business model, which is operated by AeroRepública, S.A. During 2021, we incorporated a new operator based in Panama, La Nueva Aerolínea S.A., which started operating under the Wingo brand during the third quarter of 2023. As of December 31, 2023, Wingo operated nine of our Boeing 737-800s, each configured with 186 seats in a single class cabin.

During recent years, we have successfully operated our Wingo low-cost business model, with better results than initially expected. As a result, we decided to change the Boeing 737-700s fleet to Boeing 737-800s, with a greater seat density and lower unit costs, which should make our competitive position stronger. Even though we have gained knowledge regarding the low-cost business model over recent years, we have limited experience operating it, and we may not be able to accurately predict its impact on our main line services. In particular, if demand for Wingo flights is not substantial, or cannibalizes Copa´s mainline flights, if our pricing strategy does not adequately align with our cost structure, or if Wingo does not meet customer expectations, Wingo's operations could have a negative impact on our reputation or our operating results.

Currently, the Wingo passenger service is provided through a Colombian Air Operator Certificate ("AOC") and serves mostly the Colombian domestic and international markets; therefore, the local economic and competitive environment could affect its operating results.

Our business is subject to extensive regulation which may restrict our growth, our operations or increase our costs.

Our business, financial condition and operational results could be adversely affected if we or certain aviation authorities in the countries to which we fly fail to maintain the required foreign and domestic governmental authorizations necessary for our operations. In order to maintain the necessary authorizations issued by the Panamanian Civil Aviation Authority (the *Autoridad Aeronáutica Civil*, or the "AAC"), the Colombian Civil Aviation Administration (the *Unidad Administrativa Especial de Aeronáutica Civil*, or the "UAEAC"), and other corresponding foreign authorities, we must continue to comply with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future. In addition, Panama is a member state of the International Civil Aviation Organization, or "ICAO," a United Nations specialized agency. ICAO coordinates with its member states and various industry groups to establish and maintain international civil aviation standards and recommended practices and policies, which are then used by ICAO member states to ensure that their local civil aviation operations and regulations conform to global standards. We cannot predict or control any actions that the AAC, the UAEAC, the ICAO or other foreign aviation regulators may take in the future, which could include restricting our operations or imposing new and costly regulations or policies. Also, our fares are subject to review by the AAC, the UAEAC, and the regulators of certain other countries to which we fly, any of which may in the future impose restrictions on our fares.

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between each of Panama and Colombia, and various other countries, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that existing bilateral agreements between the countries in which our airline operating companies are based and foreign governments will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans. Any modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permits to operate in certain airports or destinations, the cancellation of any of our provisional routes, the inability for us to obtain favorable take-off and landing rights at certain high-density airports or the imposition of other sanctions could also have a negative impact on our business. We cannot be certain that a change in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

The most active government regulator among the countries to which we fly is the U.S. Federal Aviation Administration, or "FAA". The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. FAA requirements cover, among other things, security measures, collision avoidance systems, airborne wind shear avoidance systems, noise abatement and other environmental issues, and increased inspections and maintenance procedures to be conducted on older aircraft. For example, following the Ethiopian Airlines accident involving a Boeing 737 MAX 8 aircraft on March 10, 2019, we suspended operations of our six Boeing 737 MAX 9 aircraft, after authorities in Panama and other countries grounded the 737 MAX fleet worldwide, during the investigation into the cause of the accident. We partially covered our operation with other aircraft in our fleet, with significant cancellations and delays. On November 18, 2020, the FAA rescinded its grounding order, issued an airworthiness directive, and published training requirements enabling the Company to begin modifying certain operating procedures, implementing enhanced pilot training requirements, installing FAA-approved flight control software updates and completing other required maintenance tasks specific to the MAX aircraft. In January 2021, we resumed operations of our Boeing 737 MAX fleet after the authorization of the *AAC*. On January 6, 2024, following the Airworthiness Directive issued by the FAA, we suspended operations of 21 Boeing 737 MAX 9 aircraft. From January 6 to January 29, 2024, a total of 1,788 flights were cancelled. After undergoing the technical inspections required by regulators, most of these aircraft have returned to our flight schedule. See "—If we are unable to successfully operate new aircraft due to safety concerns, in particular our new Boeing 737 MAX aircraft, our business could be harmed." If the FAA or the U.S. Transportation Security Administration, or "TSA", were to issue additional regulations on aircraft, our ability to carry out regular operations could be negatively impacted. As we expand our presence on routes to and from the United States, we expect to continue incurring expenses to comply with the FAA's and TSA's regulations, and any increase in the cost of compliance could have an adverse effect on our financial condition and results of operations.

Copa Airlines is authorized by the DOT to engage in scheduled and charter air transportation services, including the transportation of persons, property (cargo) and mail, or combinations thereof, between points in Panama and points in the United States and beyond (via intermediate points in other countries). Copa Airlines holds the necessary authorizations from the DOT in the form of a foreign air carrier permit, an exemption authority and statements of authorization to conduct our current operations to and from the United States. The exemption authority was granted by the DOT in February 1998 and was due to expire in February 2000. However, the authority remains in effect by operation of law under the terms of the Administrative Procedure Act pending final DOT action on the application we filed to renew the authority on January 3, 2000. There can be no assurance that the DOT will grant the application. Our foreign air carrier permit has no expiration date. A modification, suspension or revocation of any of our DOT authorizations or FAA operating specifications could have a material adverse effect on our business.

The growth of our operations to the United States and the benefits of our code-sharing arrangements with UAL are dependent on Panama's continued favorable safety assessment.

The FAA periodically audits the aviation regulatory authorities of other countries. As a result of this inspection, each country is given an International Aviation Safety Assessment, or "IASA," rating. As of 2018, Panama was rated a Category 1 country under the IASA program, which means that Panama complies with the safety requirements set forth by ICAO. Furthermore in 2022, Copa Airlines and Copa Colombia successfully completed IOSA audits by external providers. We cannot guarantee that the government of Panama and the AAC in particular, will continue to meet international safety standards, and we have no direct control over their compliance with IASA guidelines. If Panama's IASA rating were to be downgraded in the future, it could prevent us from increasing service to the United States and could affect our code-share arrangement with UAL.

We are highly dependent on our hub at Panama City's Tocumen International Airport.

Our business is heavily dependent on our operations at our hub at Panama City's Tocumen International Airport. Most of our Copa flights either depart from or arrive at our hub. Our operations and business strategy is therefore dependent on its facilities and infrastructure, including the success of its multi-phase expansion projects, certain of which have been completed while others are underway. Terminal 2 started operating a few gates during the early part of 2019. On June 22, 2022, we moved our ticket counter and baggage claim operations to Terminal 2 and began using 20 fully equipped gates in this new terminal. We also opened a new 20,720 square foot Copa Club in the new terminal. Our operations were not affected by the transition between terminals.

In addition, the hub-and-spoke structure of our operations is particularly dependent on the on-time arrival of tightly coordinated groupings of flights (or banks) to ensure that passengers can make timely connections to continuing flights. Like other airlines, we are subject to delays caused by factors beyond our control, including air traffic, congestion at airports, adverse weather conditions, power outages and increased security/health measures. Delays affect passengers, reduce aircraft utilization and increase costs, all of which in turn negatively affect our profitability.

Tocumen International Airport is operated by a corporation that is owned and controlled by the government of the Republic of Panama. We depend on our good working relationship with the quasi-governmental corporation that operates the airport to ensure that we have adequate access to aircraft parking positions, landing rights and gate assignments for our aircraft to accommodate our current operations and future plans for expansion. The corporation that operates Tocumen International Airport does not enter into any formal, written leases or other agreements with airlines to govern rights to use the airport's jet ways or aircraft parking spaces. Therefore, we would not have contractual recourse if the airport authority reassigned needed resources in peak times to other airlines, materially raised fees or discontinued investments in the airport's maintenance and expansion. Any of these events could have a material adverse effect on our current operations or capacity for future growth.

We are exposed to increases in airport charges, taxes and various other fees and cannot be assured access to adequate facilities and landing rights necessary to achieve our business strategy.

We must pay fees to airport operators for the use of their facilities. Any additional fees or substantial increase in current airport charges, including at Tocumen International Airport, could have a material adverse impact on our results of operations. Passenger taxes and airport charges have increased in recent years, sometimes substantially, particularly since the beginning of the pandemic. For example, in 2020 the industry experienced materially higher effective rates related to airport services in North America. Certain important airports that we use may be privatized in the near future, which is likely to result in significant cost increases to the airlines that use these airports. We cannot ensure that the airports used by us will not impose, or further increase, passenger taxes and airport charges in the future, and any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose various restrictions, including slot restrictions during certain periods of the day, limits on aircraft noise levels, limits on the number of average daily departures and curfews on runway use. We cannot be certain that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services in line with our growth strategy. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. Any of these alternatives could have an adverse financial impact on us. In addition, we cannot ensure that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

We have significant fixed financing costs and expect to incur additional fixed costs as we expand our fleet.

The airline business is characterized by high leverage. We have significant fixed expenditures in connection with our operating leases and facility rental costs, and a significant portion of our property and equipment is pledged to secure indebtedness. For the year ended December 31, 2023, our finance cost totaled $158.2 million. As of December 31, 2023, approximately 71.1% of our total indebtedness bore interest at fixed rates and the remainder was determined with reference to the Secured Overnight Financing Rate ("SOFR"). Most of our aircraft lease obligations bear interest at fixed rates. Given worldwide increases in interest rates and benchmark rates, we expect our financing cost to increase in future periods.

As of December 31, 2023, the Company had one purchase contract with Boeing involving 57 firm orders of Boeing 737 MAX aircraft, agreed to be delivered between 2024 and 2028. The aircraft under this contract have an approximate value of $2.8 billion based on contractual obligations net of discounts and pre-delivery payments, including estimated amounts for contractual price escalation. We will require substantial capital from external sources to meet our future financial commitments. In addition, the acquisition and financing of these aircraft will likely result in a substantial increase in our leverage and fixed financing costs. A high degree of leverage and fixed payment obligations could:

- limit our ability in the future to obtain additional financing for working capital or other important needs;
- impair our liquidity by diverting substantial cash from our operating needs to service fixed financing obligations; or
- limit our ability to plan for or react to changes in our business, in the airline industry or in general economic conditions.

Any one of these factors could have a material adverse effect on our business, financial condition and results of operations.

If we were to determine that our aircraft, rotable parts or inventory were impaired, it would have a significant adverse effect on our operating results.

If there is objective evidence that an impairment loss on long-lived assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the higher of its fair value less cost to sell and its value in use, defined as the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the asset's risk adjusted interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated statement of profit or loss. In addition to the fact that the value of our fleet declines as it ages, any potential excess capacity in the airline industry, airline bankruptcies and other factors beyond our control may further contribute to the decline of the fair market value of our aircraft and related rotable parts and inventory. When these impairments occur, we are required under IFRS to write down these assets through a charge to earnings. A significant charge to earnings would adversely affect our financial condition and operating results. In addition, the interest rates on and the availability of certain of our aircraft financing loans are tied to the value of the aircraft securing the loans. If those values were to decrease substantially, our interest rates may rise or the lenders under those loans may cease extending credit to us, either of which could have an adverse impact on our financial condition and results of operations.

During 2020, we announced the sale of our B737-700 fleet, which resulted in a non-cash impairment charge of $191.2 million. In 2021, we sold three B737-700 aircraft, and due to an increase in demand in the region, the Board of Directors approved continuing to operate the remaining nine Boeing 737-700 aircraft for a period of three years. The Company reclassified these aircraft to property plant and equipment since the classification of assets held for sale is no longer met. This reclassification resulted in a reversal of impairment losses of $5.4 million.

During 2022, we sold two B737-700 airframes that were under a lease agreement to a third party, and no significant additional gain or loss was recognized on the sale.

No impairment indicators were identified in 2023 and 2022 in the property and equipment or inventory.

We rely on information and other aviation technology systems to operate our businesses and any failure or disruption of these systems may have an impact on our operational and financial results.

We rely upon information technology systems to efficiently operate our business. We are highly reliant on certain systems for flight operations, aircraft maintenance, check-in, boarding, baggage handling, revenue management and pricing, reservations, accounting, and cargo. Other systems are designed to decrease distribution costs through internet reservations and to maximize cargo distributions, crew utilization and flight scheduling. These systems may not deliver their anticipated benefits.

In the ordinary course of business, we may upgrade or replace our systems or otherwise modify and refine our existing systems to address changing business requirements. In particular, our digital channels rely on continuously changing technology and, as this technology is updated, older technology may become obsolete. Our operations and competitive position could be adversely affected if we are unable to upgrade or replace our systems in a timely and effective manner once they become outdated, and any inability to upgrade or replace our systems could negatively impact our financial results.

Any transition to new systems may result in a loss of data or service interruption that could harm our business. Information systems could also suffer disruptions due to events beyond our control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment or software failures, computer viruses or telecommunications failures. We cannot ensure that our security measures or disaster recovery plans are adequate to prevent failures or disruptions. Substantial or repeated website, reservations systems or telecommunication system failures or disruptions, including failures or disruptions related to our integration of technology systems, could reduce the attractiveness of our Company versus our competitors, materially impair our ability to market our services and operate flights, result in the unauthorized release of confidential or otherwise protected information, and result in increased costs, lost revenue, or the loss or compromise of important data.

We make extensive use of online services and centralized data processing, including through third-party service providers. The secure maintenance and transmission of customer and employee information is a critical element of our operations. Our information technology and other systems, or those of service providers or business partners that maintain and transmit customer information, may be particularly vulnerable to cyberattacks, including ransomware. Our systems may also be compromised by a malicious third-party penetration of our security measures or of a third-party service provider or business partner, or impacted by deliberate or inadvertent actions or inactions by our employees or those of a third-party service provider or business partner. As a result, personal information may be lost, disclosed, accessed or taken without consent.

Future cybersecurity requirements in compliance with applicable laws could increase our costs and our reputation and business may be harmed and we may be subject to legal claims if there is a loss, unlawful disclosure or misappropriation of, or unsanctioned access to, our customers', employees', business partners' or our own information, or if there are any other breaches of our information security.

We transmit confidential credit card information throughout secure private retail networks and rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effectively secure transmission and storage of confidential information, such as customer credit card information. The Company has made significant efforts to secure its data network. If our security or network were compromised in any way, it could have a material adverse effect on the reputation, business, operating results and financial condition of the Company and could result in a loss of customers. Additionally, any material failure by the Company to achieve or maintain compliance with the Payment Card Industry security requirements or rectify a security issue may result in fines and the imposition of restrictions on the Company's ability to accept credit cards as a form of payment.

As a result of these types of risks, we regularly review and update procedures and processes to prevent and protect against unauthorized access to our systems and information and inadvertent misuse of data.

However, it is difficult or impossible to defend against every risk being posed by changing technologies as well as acts of cyber-crime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and controls employed by our information technology department and cloud vendors could prove inadequate. As a result, we cannot be certain that we will not be the target of attacks on our networks and intrusions into our data, particularly given continuous advances in the technical capabilities of potential attackers, and increased financial and political motivations to carry out cyber-attacks on physical systems, gain unauthorized access to information, make information unavailable for use through, for example, ransomware or denial-of-service attacks, and otherwise exploit new and existing vulnerabilities in our infrastructure. Such a cyber-attack could lead to significant costs or other material financing impacts, which may not be covered by or may exceed the coverage limits of, our cyber insurance, and such costs and impacts may have material adverse effect on our business, reputation, financial condition, cash flows and operating results. The risk of a data security incident or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments, criminal organizations and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Also, since the COVID-19 pandemic, there is increased reliance on employees working remotely, which has increased the risk of malicious actors exploiting vulnerabilities in their devices.

Furthermore, in response to data security threats and to data privacy concerns, there has been heightened legislative and regulatory focus on attacks on critical infrastructures, including those in the transportation sector, and on data security and privacy in Panama, Brazil, the United States and other countries where we operate, including requirements for varying levels of data usage consent and data subject notification in the event of a data security incident. This regulatory environment is increasingly complex and may lead to material obligations to our business, including significantly expanded compliance demands and related costs.

Any such loss, disclosure or misappropriation of, or access to, customers', employees' or business partners' information or other breach of our information security could result in legal claims or legal proceedings, including regulatory investigations and actions, may have a negative impact on our reputation and may materially adversely affect our business, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of our business information may materially adversely affect our business, operating results and financial condition.

Our liquidity could be adversely impacted in the event one or more of our credit card processors were to impose material reserve requirements for payments due to us from credit card transactions.

We currently have agreements with organizations that process credit card transactions arising from purchases of air travel tickets by our customers. Credit card processors have financial risk associated with tickets purchased for travel that can occur several weeks after the purchase. Our credit card processing agreements provide for reserves to be deposited with the processor in certain circumstances. We do not currently have reserves posted for our credit card processors. If circumstances were to occur requiring us to deposit reserves, the negative impact on our liquidity could be significant, which could materially adversely affect our business.

The Company has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of the Company's credit card processing agreements, the financial institutions in certain circumstances have the right to require that the Company maintain a reserve equal to a portion of advance ticket sales that has been processed by that financial institution, but for which the Company has not yet provided the air transportation. Such financial institutions may require additional cash or other collateral reserves to be established or additional withholding of payments related to receivables collected if the Company does not maintain certain minimum levels of unrestricted cash, cash equivalents and short-term investments (collectively, "Unrestricted Liquidity").

Our quarterly results could fluctuate substantially, and the trading price of our Class A shares may be affected by such variations.

The airline industry is by nature cyclical and seasonal, and our operating results may vary from quarter to quarter. In general, demand for air travel is higher in the third and fourth quarters, particularly in international markets, because of the increase in vacation travel during these periods relative to the remainder of the year. We tend to experience the highest levels of traffic and revenue in July and August, with a smaller peak in traffic in December and January. We generally experience our lowest levels of passenger traffic in April and May. Given our high proportion of fixed costs, seasonality can affect our profitability from quarter to quarter. Demand for air travel is also affected by factors such as disease outbreaks, economic conditions, capacity additions by competitors, war or the threat of war, fare levels and weather conditions.

Due to the factors described above and others described in this annual report, quarter-to-quarter comparisons of our operating results may not be good indicators of our future performance. In addition, it is possible that in any quarter our operating results could be below the expectations of investors and any published reports or analyses regarding our Company. In that event, the price of our Class A shares could decline, perhaps substantially.

Our reputation and financial results could be harmed in the event of an accident or incident involving our aircraft or the type of aircraft that we operate.

An accident or incident involving one of our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. We are required by our creditors and the lessors of our aircraft under our operating lease agreements to carry liability insurance, but the amount of such liability insurance coverage may not be adequate and we may be forced to bear substantial losses in the event of an accident. Our insurance premiums may also increase, or we may lose our eligibility for insurance, due to an accident or incident affecting one of our aircraft. Substantial claims resulting from an accident in excess of our related insurance coverage or increased premiums would harm our business and financial results.

Moreover, any aircraft accident or incident, even if fully insured, could cause the public to perceive us as less safe or reliable than other airlines, which could harm our business and results of operations. The Copa brand name and our corporate reputation are important and valuable assets. Adverse publicity (whether or not justified) could tarnish our reputation and reduce the value of our brand. Adverse perceptions of the types of aircraft that we operate arising from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft, could significantly harm our business as the public may avoid flying on our aircraft. See "—If we are unable to successfully operate new aircraft due to safety concerns, in particular our new Boeing 737 MAX aircraft, our business could be harmed."

Fluctuations in foreign exchange rates could negatively affect our net income.

In 2023, approximately 64.3% of revenues and 79.2% of expenses were denominated in U.S. dollars (for 2022, U.S. dollar-denominated revenues and expenses were 63.3% and 77.3%, respectively). A significant part of our revenue is denominated in foreign currencies, including the Colombian peso, Brazilian real, Argentinian peso and Mexican peso, which represented 10.0%, 7.7%, 5.1% and 3.5%, respectively (for 2022, these foreign currencies-denominated revenues were 12.1%, 8.0%, 4.6% and 2.6%, respectively). If any of these currencies decline in value against the U.S. dollar, our revenues, expressed in U.S. dollars, and our operating margin would be adversely affected. We may not be able to adjust our fares denominated in other currencies to offset any increases in U.S. dollar-denominated expenses, increases in interest expense or exchange losses on fixed obligations or indebtedness denominated in foreign currency.

We are also exposed to exchange rate losses, as well as gains, due to the fluctuation in the value of local currencies against the U.S. dollar between the times we are paid in local currencies and the time we are able to repatriate the revenues in U.S. dollars. Typically, this process takes between one and two weeks in most countries to which we fly.

Changes in accounting standards could adversely affect our financial results.

The IASB, or other regulatory authorities, periodically introduce modifications to financial accounting and reporting standards or issue new financial accounting and reporting standards under which we prepare our consolidated financial statements. These changes can materially affect the way we present our financial condition and results of operations. We may also be required to retroactively apply new or revised standards, which would require us to restate previous financial statements.

Our maintenance costs will increase as our fleet ages.

The average age of our fleet was approximately 9.7 years as of December 31, 2023. Historically, we have incurred low levels of maintenance expenses relative to the size of our fleet because most of the parts on our aircraft are covered under multi-year warranties. As our fleet ages, these warranties expire and the time flown by each aircraft increases, and our maintenance costs will increase, both on an absolute basis and as a percentage of our operating expenses.

If we enter into a prolonged dispute with any of our employees, many of whom are represented by unions, or if we are required to substantially increase the salaries or benefits of our employees, it may have an adverse impact on our operations and financial condition.

Approximately 64.2% of our 7,625 employees are unionized. There are currently five unions covering our employees based in Panama: the pilots' union, the flight attendants' union, the mechanics' union, the passenger service agents' union, and an industry union, which represents ground personnel, messengers, drivers, passenger service agents, counter agents and other non-executive administrative staff.

We entered into collective bargaining agreements with the flight attendants' union in March 2023, the pilot's union in February 2023, the mechanics' union in May 2022 and the industry union in March 2022. We do not have a collective bargain agreement negotiated with UGETRACAS, an aviation industry union in Panama, because they do not have the eligible amount of employees. Collective bargaining agreements in Panama typically have four-year terms.

In addition to unions in Panama, there are unions in Colombia, Brazil and Argentina that cover our employees in these countries. In Colombia there are four unions covering employees. In Brazil, all airline industry employees in the country are covered by the industry union agreements. In Argentina airport employees are affiliated with an industry union (UPADEP).

A strike, work interruption, stoppage or any prolonged dispute with our employees who are represented by any of these unions could have an adverse impact on our operations. These risks are typically exacerbated during periods of renegotiation with the unions, which typically occurs every two to four years depending on the jurisdiction and the union. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Any failure to reach an agreement during negotiations with unions may require us to enter into arbitration proceedings, use financial and management resources and potentially agree to terms that are less favorable to us than our existing agreements. Employees who are not currently members of unions may also form new unions that may seek further wage increases or benefits.

Our business is labor-intensive. We expect salaries, wages, benefits and other employee expenses to increase on a gross basis, and these costs could increase as a percentage of our overall costs. If we are unable to hire, train and retain qualified pilots and other employees at a reasonable cost, our business could be harmed and we may be unable to complete our expansion plans.

Our revenues depend on our relationship with travel agents and tour operators and we must manage the costs, rights and functionality of these third-party distribution channels effectively.

In 2023, a portion of our revenues were derived from tickets sold through third-party distribution channels, including those provided by conventional travel agents, online travel agents ("OTAs") or tour operators. We cannot assure that we will be able to maintain favorable relationships with these ticket sellers. Our revenues could be adversely impacted if travel agents or tour operators elect to favor other airlines or to disfavor us. Our relationship with travel agents and tour operators may be affected by:

- the size of commissions offered by other airlines;
- changes in our arrangements with other distributors of airline tickets; and

- the introduction and growth of new methods of selling tickets.

These third-party distribution channels, along with global distribution systems ("GDSs") that travel agents, OTAs and tour operators use to obtain airline travel information and issue airline tickets, are more expensive than those we operate ourselves, such as our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we need to successfully manage our distribution costs and rights, increase our distribution flexibility and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. These initiatives may affect our relationships with our third-party distribution channels. Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of our tickets could have a material adverse effect on our business, results of operations and financial condition.

In September 2022, Copa Airlines implemented a channel differentiation strategy ("Copa Connect") with the objective of shifting sales to more cost-efficient channels. This strategy adds a distribution surcharge to the fare for tickets purchased through the traditional travel agency GDS channel in order to partially offset the higher cost of this channel. For travel agencies, and their customers, who want to avoid the GDS distribution surcharge, we have offered alternatives leveraging the IATA "New Distribution Capability" (NDC) standard.

We rely on third parties to provide our customers and us with services that are integral to our business.

We have several agreements with third-party contractors to provide certain services primarily outside of Panama. Maintenance services include aircraft heavy checks, engine maintenance, overhaul, component repairs and line maintenance activities. In addition to call center services, third-party contractors also provide us with airport services. At airports other than Tocumen International Airport, most of our aircraft services are performed by third-party contractors. Substantially all of our agreements with third-party contractors are subject to termination on short notice. The loss or expiration of these agreements or our inability to renew these agreements or to negotiate new agreements with other providers at comparable rates could negatively impact our business and results of operations. Further, our reliance on third parties to provide reliable equipment or essential services on our behalf could lead us to have less control over the costs, efficiency, timeliness and quality of our service. A contractor's negligence could compromise our aircraft or endanger passengers and crew. This could also have a material adverse effect on our business. We expect to be dependent on such agreements for the foreseeable future and if we enter any new market, we will need to have similar agreements in place.

We depend on a limited number of suppliers.

We are subject to the risks of having a limited number of suppliers for our aircraft and engines. One of the elements of our business strategy is to save costs by operating a simplified fleet. Copa currently operates a fleet of Boeing 737-800/700 Next Generation aircraft powered by CFM 56-7B engines from CFM International and Boeing 737MAX 9, powered by Leap 1B engines, from CFM International. If any of Boeing, CFM International or General Electric are unable to perform their contractual obligations, or if we are unable to acquire or lease new aircraft or engines from aircraft or engine manufacturers or lessors on acceptable terms, we would have to find another supplier for a similar type of aircraft or engine.

If we have to lease or purchase aircraft from another supplier, we could lose the benefits we derive from our current fleet composition. We cannot ensure that any replacement aircraft would have the same operating advantages as the Boeing 737-800 Next Generation or Boeing 737-MAX 9 that would be replaced or that Copa could lease or purchase engines that would be as reliable and efficient as the CFM 56-7B and Leap 1B. We may also incur substantial transition costs, including costs associated with acquiring spare parts for different aircraft models, retraining our employees, replacing our manuals and adapting our facilities. Our operations could also be harmed by the failure or inability of Boeing, CFM International or General Electric to provide sufficient parts or related support services on a timely basis.

Our business would be impacted if a design defect or mechanical problem with any of the types of aircraft, engines or components that we operate were discovered that would ground any of our aircraft while the defect or problem was being addressed, assuming it could be corrected at all. The use of our aircraft could be suspended or restricted by regulatory authorities in the event of any actual or perceived mechanical or design issues. For example, following the Ethiopian Airlines accident involving a Boeing 737 MAX 8 aircraft, the FAA and other regulatory bodies around the world grounded the aircraft, and on November 18, 2020 the FAA rescinded this order. On January 6, 2024, following the Airworthiness Directive issued by the FAA, we suspended operations of 21 Boeing 737 MAX 9 aircraft. From January 6 to January 29, 2024, a total of 1,788 flights were cancelled. After undergoing the technical inspections required by regulators, most of these aircraft have returned to our flight schedule. Our business would also be negatively impacted if the public began to avoid flying with us due to an adverse perception of the types of aircraft that we operate stemming from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft or components.

We also depend on a limited number of suppliers with respect to supplies obtained locally, such as our fuel. These local suppliers may not be able to maintain the pace of our growth and our requirements may exceed their capabilities, which may adversely affect our ability to execute our day-to-day operations and our growth strategy.

Our business could also face disruptions due to external factors beyond our control, such as delays in aircraft deliveries. Notably, Boeing has experienced delays in delivering its aircraft. This has been partly due to increased regulatory scrutiny and quality lapses at key suppliers. Such delays in receiving new aircraft could affect our operational efficiency and growth strategy.

Our business financial condition and results of operations could be materially affected by the loss of key personnel.

To a significant extent, our success depends on the ability of our senior management team and key personnel to operate and manage our business effectively. Most of our employment agreements with key personnel do not contain any non-competition provisions applicable upon termination. Competition for highly qualified personnel is intense. If we lose any executive officer, senior manager or other key employee and are not able to obtain an adequate replacement, or if we are unable to attract and retain new qualified personnel, our business, financial condition and results of operations could be materially adversely affected.

The COVID-19 pandemic has had and is expected to continue to have a material adverse impact on our business.

The COVID-19 pandemic led to significant reductions in demand due to travel restrictions and bans implemented globally. This has affected our business, financial condition, and operating results, and may continue to do so even after the virus is contained, especially if there are lasting changes in economic conditions, government regulation, and consumer attitudes toward air travel that impact our business models.

The future impact of COVID-19 on our operations and financial performance is uncertain and will depend on various factors, including the scope and severity of the pandemic, travel advisories and restrictions, the availability and effectiveness of vaccines, and the overall demand for air travel. Additionally, positive COVID-19 tests among our employees could result in flight cancellations or reduced services. Lasting travel restrictions or a significant decrease in operations could materially adversely affect our results and long-term sustainability.

In addition, an outbreak of another disease or a resurgence of COVID-19 could have a similar adverse impact on our business, potentially leading to increased government restrictions and regulations that could further affect our operations.

Risks Relating to the Airline Industry

An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, could have a material adverse impact on the Company's business, operating results and financial condition.

An outbreak of disease or similar public health threat, or fear of such an event, that affects travel demand or travel behavior could have a material adverse impact on the Company's business, financial condition and operating results. In addition, outbreaks of disease could result in travel bans or restrictions, increased government restrictions and regulation, including quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations. The global COVID-19 pandemic has caused travel restrictions that have had a significant impact on the airline industry. See "Risks Relating to our Company."

The airline industry is highly competitive.

We face intense competition throughout our route network. Overall airline industry profit margins are low and industry earnings are volatile. Airlines compete in the areas of pricing, scheduling (frequency and flight times), frequent flyer programs, on-time performance, and other services. Some of our competitors have larger customer bases and greater brand recognition in the markets we serve outside Panama, and some of our competitors have significantly greater financial and marketing resources than we have. Airlines based in other countries may also receive subsidies, tax incentives or other state aid from their respective governments, which are not provided by the Panamanian government. In addition, the commencement of or increase in service on the routes we serve by existing or new carriers could negatively impact our operating results. Likewise, competitors' service on routes that we are targeting for expansion may make those expansion plans less attractive.

We compete with a number of other airlines that currently serve some of the routes on which we operate, including Avianca, American Airlines, Delta Air Lines, Aeromexico, and LATAM Group among others. Strategic alliances, bankruptcy restructurings and industry consolidations characterize the airline industry and tend to intensify competition. In the past, several air carriers have merged and/or reorganized, including certain of our competitors, such as LAN-TAM, Avianca-Taca, American-US Airways and Delta-Northwest.

Traditional hub-and-spoke carriers in the United States and Europe continue to face substantial and increasing competitive pressure from LCCs offering discounted fares. The LCC business model is gaining acceptance in the Latin American aviation industry. The LCCs' operations are typically characterized by point-to-point route networks focusing on the highest demand city pairs, high aircraft utilization, single class service and fewer in-flight amenities. As a result, we may face new and substantial competition from LCCs in the future, which could result in significant and lasting downward pressure on the fares we charge for flights on our routes. Current LCCs such as Avianca, Volaris, Spirit, JetBlue, Azul and Gol are adding pressure to our fares and are also exploring new competitive routes overflying our Hub. We also expect more competition in the market from newer players such as JetSmart, Sky and Arajet.

In December 2016, Copa's subsidiary in Colombia, AeroRepública, launched Wingo, a low-cost business model to serve domestic destinations and some point-to-point international leisure markets, to improve Copa's position within Colombia and better compete with low unbundled prices from LCCs. In 2021, we incorporated a new Wingo operator based in Panama, La Nueva Aerolínea, S.A., and in 2023, we started operating one 737-800 aircraft. Although we intend to compete vigorously and maintain our strong competitive position in the industry, Avianca and LATAM represent a significant portion of the domestic market in Colombia and have access to greater resources as a result of their larger size. Therefore, Copa faces stronger competition now than in recent years, and its prior results may not be indicative of its future performance.

We must constantly react to changes in prices and services offered by our competitors to remain competitive. The airline industry is highly susceptible to price discounting, particularly because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. Carriers use discount fares to stimulate traffic during periods of lower demand to generate cash flow and to increase market share. Any lower fares offered by one airline are often matched by competing airlines, which tend to result in lower industry yields with little or no increase in traffic levels. Price competition among airlines in the future could lead to lower fares or passenger traffic on some or all of our routes, which could negatively impact our profitability. We cannot be certain that any of our competitors will not undercut our fares in the future or increase capacity on routes in an effort to increase their respective market share. Although we intend to compete vigorously and to assert our rights against any predatory conduct, such activity by other airlines could reduce the level of fares or passenger traffic on our routes to the point where profitable levels of operations cannot be maintained. Due to our smaller size and lesser financial resources compared to several of our competitors, we may be less able to withstand aggressive marketing tactics or fare wars engaged in by our competitors should such events occur.

Significant changes or extended periods of high fuel costs or fuel supply disruptions could materially affect our operating results.

Fuel costs constitute a significant portion of our total operating expenses, representing approximately 37.6% of operating expenses in 2023, 41.9% of operating expenses in 2022 and 28.2% in 2021. Jet fuel costs have been subject to wide fluctuations as a result of fluctuations in demand, sudden disruptions in and other concerns about global supply, as well as market speculation. Both the cost and availability of fuel are subject to many economic, political, weather, environmental and other factors and events occurring throughout the world that we can neither control nor accurately predict, including international political and economic circumstances such as the political instability in major oil-exporting countries in Latin America, Africa and Asia. For example, the conflict between Russia and Ukraine beginning in February 2022 led to an increase in fuel costs. Due to the evolving nature of the conflict, we can neither predict the duration of the increasing fuel costs nor the extent of its impact on our business operations. Any future fuel supply shortage (for example, as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or "OPEC," a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, the continued unrest in the Middle East or otherwise could result in higher fuel prices or further reductions in scheduled airline services). We cannot ensure that we would be able to offset any increases in the price of fuel by increasing our fares.

As of December 31, 2023, the Company was not a party to any outstanding fuel hedge contracts and has adopted a strategy of remaining unhedged, while regularly reviewing its policies based on market conditions and other factors. For 2024, although we have not hedged any part of our anticipated fuel needs, we continue to evaluate various hedging strategies and may enter into hedging agreements in the future, as any substantial and prolonged increase in the price of jet fuel will likely materially and negatively affect our business, financial condition and results of operation.

We may experience difficulty recruiting, training and retaining pilots and other employees.

The airline industry is a labor-intensive business. We employ a large number of flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel. As is common with most of our competitors, considerable turnover of employees may occur and may not always be predictable. When we experience higher turnover, our training costs may be higher due to the significant amount of time required to train each new employee and, in particular, each new pilot. If our pilots terminate their contracts earlier than anticipated, we may be unable to successfully recoup the costs spent to train those pilots. We cannot be certain that we will be able to recruit, train and retain the qualified employees that we need to continue our current operations to replace departing employees. A failure to hire, train and retain qualified employees at a reasonable cost could materially adversely affect our business, financial condition and results of operations.

Under Panamanian law, there is a limit on the maximum number of non-Panamanian employees that we may employ. Our need for qualified pilots has at times exceeded the domestic supply and as such, we have had to hire a substantial number of non-Panamanian national pilots. However, we cannot ensure that we will continue to attract Panamanian and foreign pilots. The inability to attract and retain pilots, or a change in Panamanian regulations, may adversely affect our growth strategy by limiting our ability to add new routes or increase the frequency of existing routes.

Because the airline industry is characterized by high fixed costs and relatively elastic revenues, airlines cannot quickly reduce their costs to respond to shortfalls in expected revenue.

The airline industry is characterized by low gross profit margins, high fixed costs and revenues that generally exhibit substantially greater elasticity than costs. The operating costs of each flight do not vary significantly with the number of passengers flown and, therefore, a relatively small change in the number of passengers, fare pricing or traffic mix could have a significant effect on operating and financial results. These fixed costs cannot be adjusted quickly to respond to changes in revenues, and a shortfall from expected revenue levels could have a material adverse effect on our net income.

Our business may be adversely affected by downturns in the airline industry caused by terrorist attacks, political unrest, war or outbreak of disease, which may alter travel behavior or increase costs.

Demand for air transportation may be adversely affected by terrorist attacks, war or political and social instability, an outbreak of a disease or similar public health threat, natural disasters, cyber security threats and other events. Any of these events could cause governmental authorities to impose travel restrictions or otherwise cause a reduction in travel demand or changes in travel behavior in the markets in which we operate. Any of these events in our markets could have a material impact on our business, financial condition and results of operations. Furthermore, these types of situations could have a prolonged effect on air transportation demand and on certain cost items, such as security and insurance costs.

The terrorist attacks in the United States on September 11, 2001, for example, had a severe and lasting adverse impact on the airline industry, in particular, a decrease in airline traffic in the United States and, to a lesser extent, in Latin America. Our revenues depend on the number of passengers traveling on our flights. Therefore, any future terrorist attacks or threat of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations, including an escalation of military involvement in the Middle East, or otherwise, and any related economic impact could result in decreased passenger traffic and materially and negatively affect our business, financial condition and results of operations.

Increases in insurance costs and/or significant reductions in coverage would harm our business, financial condition and results of operations.

Following the 2001 terrorist attacks, premiums for insurance against aircraft damage and liability to third parties increased substantially, and insurers could reduce their coverage or increase their premiums even further in the event of additional terrorist attacks, hijackings, airline crashes or other events adversely affecting the airline industry abroad or in Latin America. In the future, certain aviation insurance could become unaffordable, unavailable, or available only for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lessors or applicable government regulations. While governments in other countries have agreed to indemnify airlines for liabilities that they might incur from terrorist attacks or provide low-cost insurance for terrorism risks, the Panamanian government has not indicated an intention to provide similar benefits to us. Increases in the cost of insurance may result in higher fares, which could result in a decreased demand and materially and negatively affect our business, financial condition and results of operations.

Events such as the conflict between Russia and Ukraine, the political unrest in Sudan, and the ongoing crisis in Israel have put upward pressure on aviation insurance premiums, particularly in the Hull War sector of the airline insurance market. In fact, the conflict between Russia and Ukraine could lead to one of the largest ever aviation claims of US$10 billion to US$15 billion, significantly higher than the claims resulting from 9/11. Such geopolitical events, and any other conflicts that may arise, may continue to impact claims and premiums going forward.

Failure to comply with applicable environmental regulations could adversely affect our business.

Our operations are covered by various local, national and international environmental regulations. These regulations cover, among other things, emissions to the atmosphere, disposal of solid waste and aqueous effluents, aircraft noise and other activities that result from the operation of aircraft. Future operations and financial results may vary as a result of such regulations. Compliance with these regulations and new or existing regulations that may be applicable to us in the future could increase our cost base and adversely affect our operations and financial results.

Combatting climate change has been the focus of regulators from regional to international governing bodies. For example, in 2018, the ICAO council adopted "SARPs" (Standards and Recommended Practices) laying out the criteria for Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") and issuing the first edition of the CORSIA to address the increase in total CO2 emissions from international aviation. As Colombia and Panama are member states of ICAO, the Civil Aviation Authorities ("CAAs") of Panama and Colombia have developed new regulations to implement CORSIA. Under CORSIA, airplane operators must annually report the fuel consumption of their international commercial operations and the corresponding CO2 emissions (domestic operations are excluded from these requirements and need to be managed according to the local regulatory entity requirements). Although, the impact of CORSIA cannot be fully predicted, it is still expected to result in increased operating costs for airlines that operate internationally, including COPA. Copa Airlines and AeroRepública began presenting their CO2 emissions reports from the operations in 2019 and onwards. The CO2 emissions reports are presented to the Civil Aviation Authorities in the month of May after having been audited by an accredited auditing company. Copa Airlines and AeroRepública presented the Emission Monitoring Plan ("EMP") required by CORSIA to their respective CAAs.

Carbon emissions by the airline industry and their impact on climate change have become a particular focus in the international community, including in the countries where we operate. There are various regulations currently in place in the jurisdictions where we operate, and we would expect additional regulations in this matter in the future. Other than as described in this annual report, to date those regulations have neither applied to nor had a material effect on our operations. However, our operations may become subject to additional regulation in any of the jurisdictions where we operate, which could lead to an impact on our operations and result in increased costs, which could be material. We expect to continue to monitor and evaluate the potential impact of any additional regulation regarding climate change.

In addition to encouraging CO2 emissions reductions, CORSIA will require airline operators to offset CO2 emissions through payments to authorized carbon banks, which will invest in environmental projects to reduce the global carbon footprint. Copa Airlines and AeroRepública will not be subject to the emissions offsetting requirements until 2027, because Panama and Colombia are not participating in the voluntary first phase of CORSIA. However, it is possible that various national and regional regulators will enforce their own varying emission restrictions due to concerns over climate change, and even individual airports could adopt climate-related goals around greenhouse gas emission.

In January 2021, the U.S. Environmental Protection Agency (EPA) adopted greenhouse gas emission standards for new aircraft engines designed to implement the ICAO standard, aligned with the 2017 ICAO airplane engine GHG emission standards. The final EPA standards would not apply to engines on in-service aircraft. States and environmental groups have challenged the standards. The outcome of the legal challenge cannot be predicted. On September 9, 2021, the U.S. Department of Energy, the U.S. Department of Transportation, and the U.S. Department of Agriculture launched the Sustainable Aviation Fuel Grand Challenge to scale up the production of sustainable aviation fuel, reduce greenhouse gas emissions from aviation, and replace all traditional aviation fuel with sustainable aviation fuel by 2050.

Our business could face future regulatory challenges due to evolving sustainability standards and carbon emission reduction targets. Although Panama, the United States, and other countries we operate in have not yet adopted the new Sustainability Standards IFRS S1 and IFRS S2, the global trend towards enhanced sustainability reporting and accountability suggests potential future compliance requirements. These standards focus on comprehensive sustainability reporting, which could necessitate changes in our operational and reporting processes.

Additionally, we are aware of the growing emphasis on environmental impact and the risk posed by potential regulations aimed at reducing carbon emissions. The recent CAAF/3 resolution, which targets a 5% reduction in carbon emissions by 2030, exemplifies this trend. While not currently binding on us, such resolutions could pave the way for mandatory measures, including carbon taxes or stricter operational regulations to curb emissions.

These potential developments may lead to increased operational costs, necessitate investment in newer, more environmentally friendly technologies, and require strategic shifts in our business practices. Failure to adapt to these changes or comply with new regulations could result in financial penalties, reputational harm, and a competitive disadvantage.

We are subject to risks associated with climate change, including increased regulation of our carbon emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.

As customers become more aware of the risks of climate change, their preferences around flying may also change, which can pose a risk to our results of operations. For example, customers may choose to fly less in order to decrease their negative impact to the environment and climate. Customers may also decide to choose airlines they perceive to be operating and conducting business in a more environmentally sustainable manner based on the airline's reputation or who permit customers to pay for the emissions caused by their flights. Additionally, customers may opt to take a high-speed rail instead of a flight or opt out of traveling entirely by engaging in virtual meetings instead. Debt and equity investors may also make investment decisions based on environmental, social and governance considerations, which could increase our cost of capital, to the extent we do not comply with certain criteria.

In addition, climate change may cause severe weather such as increased storms and flooding, rising sea level, and excessive heat. For example, Panama has been facing a severe drought, affecting the Panama Canal's operations and, by extension, the national economy. These varying climate conditions could negatively impact our operations and infrastructure. The operational impact can include flight cancellations, flight delays, increased fuel prices, among others. Climate change may even make destinations less attractive for visitors if the destination becomes more prone to extreme weather events. All of these factors could result in loss of revenue. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

All the countries that are party to the Paris Agreement have agreed to limit the average increase in global temperature to 2 degrees Celsius compared to pre-industrial levels, to maximize efforts not to exceed an increase of 1.5 degrees by the end of this century and to achieve climate neutrality in 2050. We are subject to various environmental regulations in the markets where we operate and may become subject to further new regulations in the future. See *"—Failure to comply with applicable environmental regulations could adversely affect our business."* Even though future requirements resulting from climate change-related regulation are unknown, it is likely that they will adversely affect the business resulting in emission reduction requirements, the need to purchase new Sustainable Aviation Fuels (SAF) or new equipment or technologies, and other increases to operating costs.

The deployment of new 5G wireless communications systems by major telecommunications service providers could result in a disruption to or otherwise adversely affect our operations.

The deployment of new 5G systems could cause, among other consequences, operational and security issues, interference with critical aircraft instruments and adverse impact to low-visibility operations. This could potentially result in flight cancellations, diversions and delays, or could result in damage to our aircraft and other equipment and a diminished margin of safety in airline operations. On January 18, 2022, major U.S. telecommunications companies agreed to delay the implementation of 5G near airports until July 5, 2022 while working with the FAA to develop long-term mitigations to support safe aviation operations. On June 17, 2022, the FAA announced that the major U.S. telecommunications companies have agreed to continue to keep 5G mitigations beyond July 5, 2022, but simultaneously announced their expectation that the U.S. mainline commercial fleet to have radio altimeter retrofits or other enhancements in place by July 2023. To date, neither Panama nor other countries where we operate have announced similar arrangements.

The FAA is working with the Federal Communications Commission, major telecommunications providers and airlines to reduce effects of this potential disruption. There is, however, a high level of uncertainty regarding the timing of extent of any requirements or restrictions imposed on airlines by the FAA, the FCC or other government agencies. Any sustained impact to our operations due to the deployment of 5G wireless communications system or as a result of requirements or restrictions by governmental authorities as a result thereof could adversely affect our business, results of operations and financial condition.

Risks Relating to Panama and our Region

We are highly dependent on conditions in Panama and, to a lesser extent, in Colombia.

A substantial portion of our assets are located in the Republic of Panama and a significant proportion of our passengers' trips either originate or end in Panama. Furthermore, substantially all of Copa's flights operate through our hub at Tocumen International Airport. As a result, we depend on economic and political conditions prevailing from time to time in Panama. Panama's economic conditions in turn highly depend on the continued profitability and economic impact of the Panama Canal. Control of the Panama Canal and many other assets were transferred from the United States to Panama in 1999 after nearly a century of U.S. control. Political events in Panama may significantly affect our operations.

Wingo's results of operations are also highly sensitive to macroeconomic and political conditions prevailing in Colombia and any political unrest and instability in Colombia could adversely affect Wingo's financial condition and results of operations.

Panama and Colombia have experienced significant economic growth over the last several years. However, like other countries in the region and around the world, the economies of Panama and Colombia have been adversely affected by the COVID-19 pandemic. According to International Monetary Fund estimates, during 2024 the Panamanian and Colombian economies are expected to grow 4.0% and 2.0% respectively, as measured by their GDP at constant prices, even with preliminary figures indicating that real GDP increased by 6.0% in Panama and by 1.4% in Colombia in 2023. However, if either economy experiences a sustained recession, or significant political disruptions, our business, financial condition or results of operations could be materially and negatively affected.

Any increase in the taxes we or our shareholders pay in Panama or the other countries where we do business could adversely affect our financial performance and results of operations.

We cannot ensure that our current tax rates will not increase. Our income tax expenses were $97.0 million, $40.2 million and $10.5 million in the years ended December 31, 2023, 2022 and 2021, respectively, which represented an effective income tax rate of 15.9%, 10.4% and 19.3%, respectively. We are subject to local tax regulations in each of the jurisdictions where we operate, the great majority of which are related to the taxation of income. In some of the countries to which we fly, we are not subject to income taxes, either because those countries do not have income tax or because of treaties or other arrangements those countries have with Panama. In the remaining countries, we pay income tax at rates ranging from 7% to 35% of income.

Different countries calculate income in different ways, but they are typically derived from sales in the applicable country multiplied by our net margin or by a presumed net margin set by the relevant tax legislation. The determination of our taxable income in certain countries is based on a combination of revenues sourced to each particular country and the allocation of expenses of our operations to that particular country. The methodology for multinational transportation company sourcing of revenues and expenses is not always specifically prescribed in the relevant tax regulations, and therefore is subject to interpretation by both us and the respective taxing authorities. Additionally, in some countries, the applicability of certain regulations governing non-income taxes and the determination of our filing status are also subject to interpretation. We cannot estimate the amount, if any, of potential tax liabilities that might result if the allocations, interpretations and filing positions used by us in our tax returns were challenged by the taxing authorities of one or more countries. If taxes were to increase, our financial performance and results of operations could be materially and adversely affected. Due to the competitive revenue environment, many increases in fees and taxes have been absorbed by the airline industry rather than being passed on to the passenger. If we were to pass any of these increases in fees and taxes onto passengers, we may no longer compete effectively as those increases may result in reduced customer demand for air travel with us, thereby reducing our revenues. If we were to absorb any increases in fees and taxes, the additional costs could have a material adverse effect on our results of operations.

The Panamanian tax code for the airline industry states that tax is based on net income earned for passenger and cargo traffic with an origin or final destination in the Republic of Panama. The applicable tax rate is currently 25%. Dividends from our Panamanian subsidiaries, including Copa, are separately subject to a 10% percent withholding tax on the portion attributable to Panamanian-sourced income and a 5% withholding tax on the portion attributable to foreign-sourced income. Additionally, a 7% value added tax is levied on tickets issued in Panama for travel commencing in Panama and going abroad, irrespective of where such tickets were ordered. If such taxes were to increase, our financial performance and results of operations could be materially and adversely affected.

We received notifications from the tax authorities in Panama in February 2020 and in Colombia in November 2020 and March 2016. We, along with our tax advisors, have concluded that it is unlikely that we will need to allocate resources to settle these claims. This conclusion is based on the strength of our defense arguments and the fact that both cases are in the preliminary stages.

In February 2020, we received two notifications from the tax authorities in Panama related to a tax audit process that began in 2019. The notifications include potentially significant adjustments to the reported dividend tax for the years 2012 to 2016 and income tax for the year 2016. We have filed an administrative appeal, which is the first legal stage under Panamanian laws. We, along with our tax advisors, have concluded that is probable that our tax position will be upheld. As a result, it is not probable that we will incur any significant additional tax as a result. According to Panamanian laws, the statute of limitations is three and 15 years for income tax and dividend tax claims, respectively.

We may face increased taxes in future periods as a result of the global minimum tax, a critical element of the Base Erosion and Profit Shifting (“BEPS”) initiative. On October 8, 2021, 136 countries, including Panama, reached an agreement for a two-pillar approach to international tax reform, integral to the BEPS project. Among other things, Pillar One proposes a reallocation of a proportion of taxes to market jurisdictions, while the Pillar Two Global anti-Base Erosion rules (“GloBE Rules”) propose four new taxing mechanisms under which multinational enterprises (“MNEs”) would pay a minimum level of tax (“Minimum Tax”). The Subject to Tax Rule is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax. The Income Inclusion Rule (IIR), the Under Taxed Payments Rule (UTPR), and the Qualified Domestic Minimum Top-up Tax (QDMT) generally propose a Minimum Tax of 15% on the income arising in each jurisdiction in which an MNE operates.

On December 18, 2023, Pillar Two legislation was enacted in Ireland, the jurisdiction of the special purpose vehicles owned by the Company that beneficially own 75 aircraft of the Company's fleet. The income inclusion rule (IIR) and qualified domestic minimum top-up tax (QDMTT) provisions will apply for fiscal years beginning on or after December 31, 2023. The undertaxed profits rule (UTPR) will apply for fiscal years beginning on or after December 31, 2024 and will come into effect beginning January 1, 2024.

Since the Pillar Two legislation was not effective as of the reporting date, the Company has no related current tax exposure. The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments.

At the date when the financial statements were authorized for issue, no other of the jurisdictions in which the Company operates had enacted or substantively enacted the tax legislation related to the top-up tax.

As of December 31, 2023, the Company did not have sufficient information to determine the potential quantitative impact. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country.

Political unrest and instability in Latin American countries in which we operate may adversely affect our business and the market price of our Class A shares.

While geographic diversity helps reduce our exposure to risks in any one country, we operate primarily within Latin America and are thus subject to a full range of risks associated with our operations in these regions. These risks may include unstable political or economic conditions, lack of well-established or reliable legal systems, exchange controls and other limits on our ability to repatriate earnings and changeable legal and regulatory requirements. In Venezuela, for example, we and other airlines and foreign companies may only repatriate cash through specific governmental programs, which may effectively preclude us from repatriating cash for periods of time. In addition, Venezuela has experienced difficult political conditions and declines in the rate of economic growth in recent periods as well as governmental actions that have adversely impacted businesses that operate there. For the year ended December 31, 2023, revenue from the Company’s flights to Venezuela, including connecting traffic, represented about 6.8% of consolidated revenues and direct flights between Panama and Venezuela. Inflation, any decline in GDP or other future economic, social and political developments in Latin America may adversely affect our financial condition or results of operations.

Although conditions throughout Latin America vary from country to country, our customers’ reactions to developments in Latin America generally may result in a reduction in passenger traffic, which could materially and negatively affect our financial condition, results of operations and the market price of our Class A shares.

Risks Relating to Our Class A Shares

The value of our Class A shares may be adversely affected by ownership restrictions on our capital stock and the power of our Board of Directors to take remedial actions to preserve our operating license and international route rights by requiring sales of certain outstanding shares or issuing new stock.

Pursuant to the Panamanian Aviation Act, as amended and interpreted to date, and certain of the bilateral treaties affording us the right to fly to other countries, we are required to be "substantially owned" and "effectively controlled" by Panamanian nationals. Our failure to comply with such requirements could result in the loss of our Panamanian operating license and/or our right to fly to certain important countries. Our Articles of Incorporation (*Pacto Social*) give special powers to our independent directors to take certain significant actions to attempt to ensure that the amount of shares held in us by non-Panamanian nationals does not reach a level that could jeopardize our compliance with Panamanian and bilateral ownership and control requirements. If our independent directors determine it is reasonably likely that we will be in violation of these ownership and control requirements and our Class B shares represent less than 10% of our total outstanding capital stock (excluding newly issued shares sold with the approval of our independent director's committee), our independent directors will have the power to issue additional Class B shares or Class C shares with special voting rights solely to Panamanian nationals. See "Item 10B. Memorandum and Articles of Association—Description of Capital Stock."

If any of these remedial actions are taken, the trading price of the Class A shares may be materially and adversely affected. An issuance of Class C shares could have the effect of discouraging certain changes of control of Copa Holdings or may reduce any voting power that the Class A shares enjoy prior to the Class C share issuance. There can be no assurance that we would be able to complete an issuance of Class B shares to Panamanian nationals. We cannot be certain that restrictions on ownership by non-Panamanian nationals will not impede the development of an active public trading market for the Class A shares, adversely affect the market price of the Class A shares or materially limit our ability to raise capital in markets outside of Panama in the future.

Our controlling shareholder has the ability to direct our business and affairs, and its interests could conflict with those of other shareholders.

All of our Class B shares, representing approximately 26.0% of the economic interest in Copa Holdings and 100% of the voting power of our capital stock, are owned by *Corporación de Inversiones Aéreas, S.A*., or "CIASA," a Panamanian entity. CIASA is in turn controlled by a group of Panamanian investors. In order to comply with the Panamanian Aviation Act, as amended and interpreted to date, we have amended our organizational documents to modify our share capital so that CIASA will continue to exercise voting control of Copa Holdings. CIASA will not be able to transfer its voting control unless control of our Company will remain with Panamanian nationals. CIASA will maintain voting control of the Company so long as CIASA continues to own a majority of our Class B shares and the Class B shares continue to represent more than 10% of our total share capital (excluding newly issued shares sold with the approval of our independent director's committee). Even if CIASA ceases to own the majority of the voting power of our capital stock, CIASA may continue to control our Board of Directors indirectly through its control of our Nominating and Corporate Governance Committee. As the controlling shareholder, CIASA may direct us to take actions that could be contrary to other shareholders' interests and under certain circumstances CIASA will be able to prevent other shareholders, including you, from blocking these actions. Also, CIASA may prevent change of control transactions that might otherwise provide an opportunity to dispose of or realize a premium on investments in our Class A shares.

The Class A shares will only be permitted to vote in very limited circumstances and may never have full voting rights.

The holders of Class A shares have no right to vote at our shareholders' meetings except with respect to corporate transformations of Copa Holdings, mergers, consolidations or spin-offs of Copa Holdings, changes of corporate purpose, voluntary delisting of the Class A shares from the NYSE, the approval of nominations of our independent directors and amendments to the foregoing provisions that adversely affect the rights and privileges of any Class A shares. The holders of Class B shares have the power to elect the Board of Directors and to determine the outcome of all other matters to be decided by a vote of shareholders. Class A shares will not have full voting rights unless the Class B shares represent less than 10% of our total capital stock (excluding newly issued shares sold with the approval of our independent director's committee). See "Item 10B. Memorandum and Articles of Association—Description of Capital Stock." We cannot assure that the Class A shares will ever carry full voting rights.

Substantial future sales of our Class A shares by CIASA could cause the price of the Class A shares to decrease.

CIASA owns all of our Class B shares, and those Class B shares will be converted into Class A shares if they are sold to non-Panamanian investors. In connection with our initial public offering in December 2005, Continental and CIASA reduced their ownership of our total capital stock from 49.0% to approximately 27.3% and from 51.0% to approximately 25.1%, respectively. In a follow-on offering in June 2006, Continental further reduced its ownership of our total capital stock from 27.3% to 10.0%. In May 2008, we and CIASA released Continental from its standstill obligations and they sold down their remaining shares in the public market. CIASA holds registration rights with respect to a significant portion of its shares pursuant to a registration rights agreement entered into in connection with our initial public offering. In March 2010, CIASA converted a portion of its Class B shares into 1.6 million non-voting Class A shares and sold such Class A shares in an SEC-registered public offering. In the event CIASA seeks to reduce its ownership below 10% of our total share capital, our independent directors may decide to issue special voting shares solely to Panamanian nationals to maintain the ownership requirements mandated by the Panamanian Aviation Act. As a result, the market price of our Class A shares could drop significantly if CIASA further reduces its investment in us, other significant holders of our shares sell a significant number of shares or if the market perceives that CIASA or other significant holders intend to sell their shares. As of December 31, 2023 CIASA owned 26.0% of Copa Holdings' total capital stock.

Holders of our common stock are not entitled to preemptive rights, and as a result, shareholders may experience substantial dilution upon future issuances of stock by us.

Under Panamanian corporate law and our organizational documents, holders of our Class A shares are not entitled to any preemptive rights with respect to future issuances of capital stock by us. Therefore, unlike companies organized under the laws of many other Latin American jurisdictions, we are free to issue new shares of stock to other parties without first offering them to our existing Class A shareholders. In the future we may sell Class A or other shares to persons other than our existing shareholders at a lower price than the shares already sold, and as a result, shareholders may experience substantial dilution of their interest in us.

Shareholders may not be able to sell our Class A shares at the price or at the time desired because an active or liquid market for the Class A shares may not continue.

Our Class A shares are listed on the NYSE. During the three months ended December 31, 2023, the average daily trading volume for our Class A shares as reported by the NYSE was approximately 295,625 shares. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for our investors. The liquidity of a securities market is often affected by the volume of shares publicly held by unrelated parties. We cannot predict whether an active liquid public trading market for our Class A shares will be sustained.

Our operations in Cuba may adversely affect the market price of our Class A shares.

We currently offer passenger, cargo and mail transportation services to and from Cuba. For the year ended December 31, 2023, our transported passengers to and from Cuba represented approximately 2.7% of our total passengers. Our operating revenues from Cuban operations during the year ended December 31, 2023 represented approximately 0.4% of our total consolidated operating revenues for the year. Our assets located in Cuba are not significant.

The United States administers and enforces broad economic and trade sanctions and restrictions against Cuba, and groups opposed to the Cuban regime may seek to exert pressure on companies doing business in Cuba. U.S. policy towards Cuba has been in flux in recent years and uncertainty remains over the future of U.S. economic sanctions against Cuba and the impact such sanctions will have on our operations, particularly if the United States imposes additional relevant sanctions. While we believe our operations in Cuba are in compliance with all applicable laws, any violations of U.S. sanctions could result in the imposition of civil and/or criminal penalties and have an adverse effect on our business and reputation. Additionally, Title III of the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (the Helms-Burton Act) provides a cause of action for U.S. nationals to bring claims against any person who traffics in property expropriated by the Cuban Government. The scope of any potential claims under the Helms-Burton Act are uncertain and companies with commercial dealings in Cuba have faced claims for damages; we could face such claims in the future.

Certain U.S. states have enacted or may enact legislation regarding investments by state-owned investors, such as public employee pension funds and state university endowments, in companies that have business activities with Cuba. As a result, such state-owned institutional investors may be subject to restrictions with respect to investments in companies such as ours, which could adversely affect the market for our shares.

Our Board of Directors may, in its discretion, amend or repeal our dividend policy. Shareholders may not receive the level of dividends provided for in the dividend policy or any dividends at all.

In February 2016, the Board of Directors approved a change to the dividend policy to limit aggregate annual dividends to an amount equal to 40% of the previous year's annual consolidated underlying net income, to be distributed in equal quarterly installments subject to board ratification each quarter. Our Board of Directors may, in its sole discretion and for any reason, amend or repeal any aspect of this dividend policy. Our Board of Directors may decrease the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our common stock, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our Board of Directors may deem relevant. See "Item 8A. Consolidated Statements and Other Financial Information—Dividend Policy." On April 26, 2020, given the challenges presented by the COVID-19 pandemic, the Board decided to postpone payment of dividends for the remainder of 2020, 2021 and 2022. On March 22, 2023, the Board of Directors of Copa Holdings approved a 2023 dividend payment corresponding to 40% of the adjusted consolidated net income of 2022.

To the extent we pay dividends to our shareholders, we will have less capital available to meet our future liquidity needs.

Our Board of Directors has reserved the right to amend the dividend policy or pay dividends in excess of the level circumscribed in the dividend policy. The aviation industry has cyclical characteristics, and many international airlines are currently experiencing difficulties meeting their liquidity needs. Also, our business strategy contemplates growth over the next several years, and we expect such growth will require a great deal of liquidity. To the extent that we pay dividends in accordance with, or in excess of, our dividend policy, the money that we distribute to shareholders will not be available to us to fund future growth and meet our other liquidity needs.

Our Articles of Incorporation impose ownership and control restrictions on our Company that ensure that Panamanian nationals will continue to control us and these restrictions operate to prevent any change of control or some transfers of ownership in order to comply with the Aviation Act and other bilateral restrictions.

Under Law No. 21 of January 29, 2003, as amended and interpreted to date, or the "Aviation Act", which regulates the aviation industry in the Republic of Panama, Panamanian nationals must exercise "effective control" over the operations of the airline and must maintain "substantial ownership". Under certain of the bilateral agreements between Panama and other countries pursuant to which we have the right to fly to those other countries and over their territories, we must also continue to have substantial Panamanian ownership and effective control by Panamanian nationals to retain these rights. On November 25, 2005, the Executive Branch of the Government of Panama promulgated a decree stating that the "substantial ownership" and "effective control" requirements of the Aviation Act are met if a Panamanian citizen or a Panamanian company is the record holder of shares representing 51% or more of the voting power of the Company. Although the decree has the force of law for so long as it remains in effect, it does not supersede the Aviation Act, and it could be modified or superseded at any time by a future Executive Branch decree. Additionally, the decree has no binding effect on regulatory authorities of other countries whose bilateral agreements impose Panamanian ownership and control limitations on us. These phrases are not defined in the Aviation Act itself or in the bilateral agreements to which Panama is a party, and it is unclear how a Panamanian court or, in the case of the bilateral agreements, foreign regulatory authorities, would interpret them.

The share ownership requirements and transfer restrictions contained in our Articles of Incorporation, as well as the dual-class structure of our voting capital stock, are designed to ensure compliance with these ownership and control restrictions. See "Item 10B. Memorandum and Articles of Association—Description of Capital Stock". At the present time, CIASA is the record owner of 100% of our Class B voting shares, representing approximately 26.0% of our total share capital and all of the voting power of our capital stock. These provisions of our Articles of Incorporation may prevent change of control transactions that might otherwise provide an opportunity to realize a premium on investments in our Class A shares. They also ensure that Panamanians will continue to control all the decisions of our Company for the foreseeable future.

The protections afforded to minority shareholders in Panama are different from and more limited than those in the United States and may be more difficult to enforce.

Under Panamanian law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes is less developed under Panamanian law than under U.S. law and there are different procedural requirements for bringing shareholder lawsuits, including shareholder derivative suits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company. In addition, Panamanian law does not afford minority shareholders as many protections for investors through corporate governance mechanisms as in the United States and provides no mandatory tender offer or similar protective mechanisms for minority shareholders in the event of a change in control. While our Articles of Incorporation provide limited rights to holders of our Class A shares to sell their shares at the same price as CIASA in the event that a sale of Class B shares by CIASA results in the purchaser having the right to elect a majority of our board, there are other change of control transactions in which holders of our Class A shares would not have the right to participate, including the sale of interests by a party that had previously acquired Class B shares from CIASA, the sale of interests by another party in conjunction with a sale by CIASA, the sale by CIASA of control to more than one party, or the sale of controlling interests in CIASA itself.

Item 4. Information on the Company

A. History and Development of the Company

General

Copa was established in 1947 by a group of Panamanian investors and Pan American World Airways, which provided technical and economic assistance as well as capital. Initially, Copa served three domestic destinations in Panama with a fleet of three Douglas C- 47 aircraft. In the 1960s, Copa began its international service with three weekly flights to cities in Costa Rica, Jamaica and Colombia using a small fleet of Avro 748s and Electra 188s. In 1971, Pan American World Airways sold its stake in Copa to a group of Panamanian investors who retained control of the airline until 1986. During the 1980s, Copa suspended its domestic service to focus on international flights.

In 1986, CIASA purchased 99% of Copa, which was controlled by the group of Panamanian shareholders who currently control CIASA. From 1992 until 1998, Copa was a part of a commercial alliance with Grupo TACA's network of Central American airline carriers. In 1997, together with Grupo TACA, Copa entered into a strategic alliance with American Airlines. After a year our alliance with American Airlines was terminated by mutual consent.

On May 6, 1998, Copa Holdings, S.A., the holding company for Copa and related companies was incorporated as a *sociedad anónima* under the laws of Panama to facilitate the sale by CIASA of a 49% stake in Copa Holdings to Continental. In connection with Continental's investment, we entered into an extensive alliance agreement with Continental providing for code-sharing, joint marketing, technical exchanges and other cooperative initiatives between the airlines. At the time of our initial public offering in December 2005, Continental reduced its ownership of our total capital stock from 49% to approximately 27.3%. In a follow-on offering in June 2006, Continental further reduced its ownership of our total capital stock from 27.3% to 10.0%. In May 2008, Continental sold its remaining shares in the public market. In March 2010, CIASA sold 4.2% of its interest and as of December 31, 2023 held 26.0% of our total capital stock.

Since 1998, we have grown and modernized our fleet while improving customer service and reliability. Our operational fleet has grown from 13 aircraft in 1998 to 106 aircraft as of January 1, 2024. In 1999, we received our first Boeing 737-700s, followed by our first Boeing 737-800 in 2003 and our first Embraer 190 in 2005. We discontinued the use of our last Boeing 737-200 in 2005. In 2018, we took delivery of our first four Boeing 737 MAX 9 aircraft. In addition, continuing our fleet optimization and efficiency efforts, in 2020, we signed an aircraft sale and purchase agreement for the remaining Embraer 190 fleet. In 2021, we sold three B737-700 aircraft. During 2022, we sold two B737-700 airframes, restored capacity to pre-pandemic levels and expanded our network with new frequencies and routes.

On April 22, 2005, we acquired an initial 85.6% equity ownership interest in AeroRepública, which was one of the largest domestic carriers in Colombia in terms of passengers carried. Through subsequent acquisitions, we increased our total ownership interest in AeroRepública to 99.9% by the end of that year. In December 2016, we launched a low-cost business model, Wingo, to diversify our offerings and to better compete with other low-cost carriers in the markets. We believe that Copa Airlines creates additional passenger traffic in our existing route network by providing Colombian passengers more convenient access to the international destinations served through our Panama hub and by offering direct domestic and international service through our low-cost business model, Wingo. In 2021, we incorporated a new Wingo operator based in Panama, La Nueva Aerolínea, S.A., and in 2023, we started operating one 737-800 aircraft.

In July 2015, we elected to cease co-branding the MileagePlus frequent flyer program in Latin America and launched our own frequent flyer program, ConnectMiles. We believe that establishing our own direct relationship with our customers is essential to better serve them. Copa and UAL will remain strong loyalty partners through our participation in Star Alliance.

Our registered office is located at Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Panama and our telephone number is +507 304-2774. The website of Copa Airlines is www.copaair.com. Information contained on, or accessible through, this website is not incorporated by reference herein and shall not be considered part of this annual report. Our agent for service of process regarding SEC securities filings in the United States is Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19715, and its telephone number is +(302) 738-6680. Also, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements and other information about the Company that the Company has filed electronically with the SEC.

Capital Expenditures

During 2023, our capital expenditures were $572.1 million, which consisted of advance payments and reimbursements on aircraft purchase contracts and acquisition of property and equipment, that correspond mainly to 8 aircraft that arrived during 2023, compared to capital expenditures of $526.9 million in 2022 and $412.9 million in 2021.

B. Business Overview

We are a leading Latin American provider of airline passenger and cargo service through our two principal operating subsidiaries, Copa Airlines and AeroRepública. Copa Airlines operates from its strategically located position in the Republic of Panama, and AeroRepública operates a low-cost business model, Wingo, within Colombia and various cities in the region. As of December 31, 2023, we operate a fleet of 106 aircraft, 76 Boeing 737-Next Generation aircraft, 29 Boeing 737 MAX 9 aircraft and one Boeing 737-800 BCF (Boeing Converted Freighter). As of December 31, 2023, we had one purchase contract with Boeing entailing 57 firm orders of Boeing 737 MAX aircraft. These aircraft are scheduled for delivery between 2024 and 2028.

Copa currently offers approximately 375 daily scheduled flights among 82 destinations in 32 countries in North, Central and South America and the Caribbean from its Panama City hub. Copa provides passengers with access to flights to more than 180 other destinations through code-share arrangements with UAL and other airlines, pursuant to which each airline places its name and flight designation code on the other's flights. Through its Panama City hub, Copa is able to consolidate passenger traffic from multiple points to serve each destination effectively.

Copa has a strategic alliance with United Airlines, or "UAL" or "United," that encompasses joint marketing strategies and code-sharing arrangements, among other things. We have been a member of Star Alliance since June 2012.

Our Strengths

We believe our primary business strengths that have allowed us to compete successfully in the airline industry include the following:

- *Our "Hub of the Americas" airport is strategically located.* We believe that Copa's base of operations at the geographically central location of Tocumen International Airport in Panama City, Panama provides convenient connections to our principal markets in North, Central and South America and the Caribbean, enabling us to consolidate traffic to serve several destinations that do not generate enough demand to justify point-to-point service. Flights from Panama operate with few service disruptions due to weather, contributing to high completion factors and on-time performance. Tocumen International Airport's sea-level altitude allows our aircraft to operate without the performance restrictions they would be subject to in higher altitude airports. We believe that Copa's hub in Panama allows us to benefit from Panama City's status as a center for financial services, shipping and commerce and from Panama's stable, dollar-based economy, free-trade zone and growing tourism.

- *We focus on keeping our operating costs low.* In recent years, our low operating costs and efficiency have contributed significantly to our profitability. Our operating CASM, excluding costs for fuel, was 5.97¢ in 2023. We believe that our cost per available seat mile reflects our modern fleet, efficient operations and the competitive cost of labor in Panama.

- *We operate a modern fleet.* Our fleet consists of Boeing 737-MAX and Boeing 737-Next Generation aircraft equipped with winglets and other modern cost-saving and safety features. Over the next several years, we intend to enhance our modern fleet through the addition of 57 firm orders of Boeing 737 MAX aircraft, agreed to be delivered between 2024 and 2028. . We believe that our modern fleet contributes to our on-time performance and high completion factor (percentage of scheduled flights not cancelled).

- *We believe Copa has a strong brand and a reputation for quality service*. We believe that the Copa brand is associated with value to passengers, providing world-class service and competitive pricing. For the year ended December 31, 2023, Copa's statistic for on-time performance, according to DOT standard methodology of arrivals within 14 minutes of scheduled arrival time, was and its completion factor was 89.5%. We believe our focus on customer service has helped to build passenger loyalty. In addition, the excellent response to our new loyalty program, ConnectMiles, demonstrates the strong affinity Copa customers have for the brand. In January 2024, for the ninth year, we received recognition from The Cirium 2023 On Time Performance (OTP) Review, as the most on-time airline in Latin America.

- *Our management fosters a culture of teamwork and continuous improvement*. Our management team has been successful at creating a culture based on teamwork and focused on continuous improvement. Each of our employees has individual objectives based on corporate goals that serve as a basis for measuring performance.

When corporate operational and financial targets are met, employees are eligible to receive bonuses according to our profit-sharing program. See "Item 6D. Employees". We also recognize outstanding performance of individual employees through company-wide recognition, one-time awards, special events and, in the case of our senior management, grants of restricted stock and stock options. Our goal-oriented culture and incentive programs have contributed to a motivated work force that is focused on satisfying customers, achieving efficiencies and growing profitability.

Our Strategy

Our goal is to continue to grow profitably and enhance our position as a leader in Latin American aviation by providing a combination of superior customer service, convenient schedules and competitive fares, while maintaining competitive costs. The key elements of our business strategy include the following:

- *Expand our network by increasing frequencies and adding new destinations.* We believe that demand for air travel in Latin America is likely to expand in the next decade, and we intend to use our increasing fleet capacity to meet this growing demand. We intend to focus on expanding our operations by increasing flight frequencies on our most profitable routes and initiating service to new destinations. Copa's Panama City hub allows us to consolidate traffic and provide non-stop or one-stop connecting service to over 5,000 city pairs, and we intend to focus on providing new or increased service to destinations that we believe best enhance the overall connectivity and profitability of our network.

- *Continue to focus on keeping our costs low*. We seek to reduce our cost per available seat mile without sacrificing services valued by our customers as we execute our growth plans. Our goal is to maintain a modern fleet and to make effective use of our resources through efficient aircraft utilization and employee productivity. We intend to reduce our distribution costs by increasing direct sales as well as improving efficiency through technology and automated processes.

- *Emphasize superior service and value to our customers.* We intend to continue to focus on satisfying our customers and earning their loyalty by providing a combination of superior service and competitive fares. We believe that continuing our operational success in keeping flights on time, reducing mishandled luggage and offering convenient schedules to attractive destinations will be essential to achieving this goal. We intend to continue to incentivize our employees to improve or maintain operating and service metrics relating to our customers' satisfaction by continuing our profit-sharing plan and employee recognition programs. We will continue to reward our customer loyalty with, ConnectMiles awards, upgrades and access to our Copa Club lounges.

Industry

In Latin America, the scheduled passenger service market consists of three principal groups of travelers: strictly leisure, business and travelers visiting friends and family. Leisure passengers and passengers visiting friends and family typically place a higher emphasis on lower fares, whereas business passengers typically place a higher emphasis on flight frequency, on-time performance, breadth of network and service enhancements, including loyalty programs and airport lounges.

According to data from the International Air Transport Association, or "IATA", Latin America comprised approximately 12.1% of international worldwide passengers flown in 2022.

The Central American aviation market is dominated by international traffic. According to data from IATA, international revenue passenger kilometers, or "RPKs", are concentrated between North America and Central America. This segment represented 79.8% of international RPKs flown to and from Central America in 2022, compared to 14.7% RPKs flown between Central America and South America and 5.6% for RPKs flown between Central American countries. Total RPKs flown on international flights to and from Central America increased 68.1%, and load factors on international flights to and from Central America were 83% on average.

The chart below details passenger traffic between regions in 2022:

	2022 IATA Traffic Results					
	Passenger Kms Flown		Available Seat Kms		Passenger Load Factor	
	(Million)	Change (%)	(Million)	Change (%)	Load Factor	Change (%)
North America - Central America / Caribbean	162,466	45.5	200,427	27.7	81.1 %	9.9 p.p.
North America - South America	97,333	64.3	117,730	29.5	82.7 %	17.5 p.p.
Within South America	22,898	315.4	29,131	254.2	78.6 %	11.6 p.p.
Central America/Caribbean - South America	29,875	99.4	37,568	79.4	79.5 %	8.0 p.p.
Within Central America	11,341	81.9	14,556	68.7	77.9 %	5.6 p.p.

Panama serves as a hub for connecting passenger traffic between major markets in North, South, and Central America and the Caribbean. Accordingly, passenger traffic to and from Panama is significantly influenced by economic growth in surrounding regions. Preliminary figures indicate that real GDP increased by 6.0% in Panama and by 1.4% in Colombia, according to data of the World Economic and Financial Survey conducted by the International Monetary Fund ("IMF").

	GDP (in US$ billions)		GDP per Capita
	2022 Current Prices (US$)	2022 Real GDP (% Growth)	2022 Current Prices (US$)
Argentina	622	-2.5	13,297
Brazil	2,127	3.1	10,413
Chile	344	-0.5	17,254
Colombia	364	1.4	6,976
Mexico	1,811	3.2	13,804
Panama	82	6.0	18,493
USA	26,950	2.1	80,412

Source: International Monetary Fund, World Economic Outlook Database, October 2023.

According to IMF estimates, from 2016 to 2023, Panama's real GDP grew at an average annual rate of 4.1%, while inflation averaged 0.8% per year. The IMF currently estimates Panama's population to be approximately 4.5 million in 2023, with the majority of the population concentrated in Panama City, where our hub at Tocumen International Airport is located. We believe the combination of a stable, service-oriented economy and steady population growth has helped drive our domestic origin and destination passenger traffic.

Domestic travel within Panama primarily consists of individuals visiting families as well as domestic and foreign tourists visiting the countryside. Most of this travel is done via ground transportation, and its main flow is to and from Panama City, where most of the economic activity and population is concentrated. Demand for domestic air travel is growing and relates primarily to leisure travel from foreign and local tourists. Since January 2015, Copa has operated daily flights to the second-largest city in Panama, David in the province of Chiriqui. The remaining market is served primarily by one local airline, Air Panama, which operates a fleet consisting of mainly turbo prop aircraft generally with less than 50 seats. This airline offers limited international service and operates in the secondary Marcos Gelabert airport of Panama City, which is located 30 minutes by car from Tocumen International Airport.

Colombia is the third largest country in Latin America in terms of population, with a population of approximately 52.2 million in 2023 according to the IMF and has a land area of approximately 440,000 square miles. Colombia's GDP is estimated to be $363.8 billion for 2023, and per capita income was approximately $7.0 thousand (current prices) according to the IMF. Colombia's geography is marked by the Andean mountains and an inadequate road and rail infrastructure, making air travel a convenient and attractive transportation alternative. Colombia shares a border with Panama, and for historic, cultural and business reasons it represents a significant market for many Panamanian businesses.

Route Network and Schedules

As of December 31, 2023, Copa provided regularly scheduled flights to 82 cities in North, Central and South America and the Caribbean. The majority of Copa flights operate through our hub in Panama City which allows us to transport passengers and cargo among a large number of destinations with service that is more frequent than if each route were served directly.

We believe our hub-and-spoke model is the most efficient way for us to operate our business since most of the origination/destination city pairs we serve do not generate sufficient traffic to justify point-to-point service. Also, since we serve many countries, it would be very difficult to obtain the bilateral route rights necessary to operate a competitive network-wide point-to-point system.

Copa schedules its hub flights using a "connecting bank" structure, where flights arrive at the hub at approximately the same time and depart a short time later. In June 2011, we increased our banks of flights from four to six a day. This allowed us to increase efficiency in the use of hub infrastructure in addition to providing more time-of-day choices to passengers.

In addition to increasing the frequencies to destinations we already serve, Copa's business strategy is also focused on adding new destinations across Latin America, the Caribbean and North America in order to increase the attractiveness of our Hub of the Americas at Tocumen International Airport for intra-American traffic. We currently plan to introduce new destinations and to increase frequencies to many of the destinations that Copa currently serves. Our fleet allows us to improve our service by increasing frequencies and service to new destinations with the right-sized aircraft.

As a part of our strategic relationship with UAL, Copa provides flights through code-sharing arrangements to over 120 other destinations. In addition to codeshares provided with our Star Alliance partners, Copa also has code-sharing arrangements in place with several other carriers, including Air France, KLM, Iberia, Air Europa, Emirates, Gol, Azul and Cubana.

In December 2016, we launched a low-cost business model, Wingo, to diversify our offerings and to better compete with other low-cost carriers in the markets. Wingo serves domestic flights in Colombia and some international cities to and from Colombia. In 2021, we incorporated a new Wingo operator based in Panama, La Nueva Aerolínea, S.A., and in 2023, we started operating one 737-800 aircraft.

Revenue by Region

The following table shows our revenue generated in each of our major operating regions.

Region	Year Ended December 31, 2023	2022	2021
North America (1)	38.9 %	32.7 %	28.9 %
South America	36.1 %	37.4 %	37.6 %
Central America (2)	23.3 %	28.0 %	32.0 %
Caribbean (3)	1.6 %	1.9 %	1.5 %

(1) Includes USA, Canada and Mexico

(2) Includes Panama

(3) Includes Cuba, Dominican Republic, Haiti, Jamaica, Puerto Rico, Aruba, Curaçao, St. Maarten, Bahamas, Barbados and Trinidad and Tobago

Airline Operations

Passenger Operations

Passenger revenue accounted for approximately $3.3 billion in 2023, $2.8 billion in 2022, and $1.4 billion in 2021, representing 95.9%, 95.3%, and 93.5%, respectively, of Copa's total revenues. Leisure traffic, which makes up close to half of Copa's total traffic, tends to coincide with holidays, school vacations and cultural events and peaks in July and August, and again in December and January. Approximately one third of Copa's passengers regard Panama City as their destination or origination point, and most of the remaining passengers pass through Panama City in transit to other points on our route network.

Cargo Operations

In addition to our passenger service, we make efficient use of extra capacity in the belly of our aircraft by carrying cargo. Our cargo operations consist principally of freight service. Copa's cargo business generated revenues of approximately $97.1 million in 2023, $101.8 million in 2022, and $71.6 million in 2021, representing 2.8%, 3.4%, and 4.7% respectively, of Copa's operating revenues. We primarily move our cargo in the belly of our aircraft; however, we also wet-lease and charter freighter capacity when necessary to meet our cargo customers' needs. In 2021, we converted a Boeing 737-800 passenger aircraft into a cargo aircraft. In March 2022, the newly converted freighter aircraft, the Boeing 737-800 BCF with a capacity of 21.7 tons per flight, began operations.

Pricing and Revenue Management

Copa has designed its fare structure to balance its load factors and yields in a way that it believes will maximize profits on its flights. Copa also maintains revenue management policies and procedures that are intended to maximize total revenues, while remaining generally competitive with those of our major competitors. In 2020, Copa implemented the PROS Revenue Management system, replacing the system formerly used by the company.

Copa charges higher fares for tickets sold on higher-demand routes, tickets purchased on short notice and other itineraries suggesting a passenger would be willing to pay a premium. This represents strong value to Copa's business customers, who need more flexibility with their flight plans. The number of seats Copa offers at each fare level in each market results from a continual process of analysis and forecasting. Past booking history, seasonality, the effects of competition and current booking trends are used to forecast demand. Current fares and knowledge of upcoming events at destinations that will affect traffic volumes are included in Copa's forecasting model to arrive at optimal seat allocations for its fares on specific routes. Copa uses a combination of approaches, taking into account yields, load factors and other factors, depending on the characteristics of the markets served, to arrive at a strategy for achieving the best possible revenue per available seat mile, balancing the average fare charged against the corresponding effect on our load factors.

Relationship with UAL

In May 1998, Copa Airlines and Continental Airlines entered into a comprehensive alliance agreement to offer a more complete and seamless travel experience to passengers. The agreement encompassed a broad array of activities, including Copa's participation in Continental's frequent flyer programs and VIP lounges, codesharing, other joint business activities, as well as trademark agreements. Continental became a subsidiary of UAL after its merger with United Airlines in 2010, and UAL has continued its longstanding cooperation with Copa Airlines through a series of renewed agreements.

As a result of our alliance, we have benefited from Continental's and UAL's expertise and experience over the years. For example, prior to July 2015 when we launched our own frequent flyer program, ConnectMiles, we adopted Continental's OnePass (now UAL's MileagePlus) frequent flyer program and rolled out a co-branded joint product in most of Latin America, which enabled Copa to develop brand loyalty among travelers. The co-branding of the OnePass (now MileagePlus) loyalty program helped Copa to leverage the brand recognition that Continental already enjoyed across Latin America and has enabled Copa to compete more effectively against regional airlines. We also have adopted several important information technology systems, such as the SHARES computer reservation system in an effort to maintain commonality with UAL.

Our alliance relationship with UAL enjoys a grant of antitrust immunity from the U.S. Department of Transportation, or "DOT". The alliance agreement expires in 2026 and is terminable by either airline in cases of, among other things, uncured material breaches of the alliance agreement, bankruptcy, termination of the services agreement for breach, termination of the frequent flyer participation agreement without entering into a successor agreement, certain competitive activities, certain changes of control of either of the parties and certain significant operational service failures.

Trademark License Agreement. Under our trademark license agreement with UAL, we have the right to use a logo incorporating a design that is similar to the design of the UAL logo. We also have the right to use UAL's trade dress, aircraft livery and certain other UAL marks under the agreement that allow us to more closely align our overall product with our strategic alliance partner. The trademark license agreement is coterminous with the alliance agreement and can also be terminated for breach. In most cases, we have a period of five years after termination to cease to use the marks on our aircraft, with less time provided for signage and other uses of the marks or in cases where the agreement is terminated for a breach by us.

Sales, Marketing and Distribution

Sales and Distribution. A portion of our sales were completed through travel agents, including OTAs and other airlines while the rest came from direct sales via our city ticket offices, or "CTOs," call centers, airport counters or website. In recent years, travel agents' base commissions have decreased significantly in most markets as more efficient back-end incentive programs have been implemented to reward selected travel agencies that exceed their sales targets.

Travel agents may obtain airline travel information and issue airline tickets through a direct connection program that we launched on September 1, 2022 using the New Distribution Capability (NDC) Level 4 standard or through the traditional GDSs that enable them to make reservations on flights from a large number of airlines. GDSs are also used by travel agents to make hotel and car rental reservations. Copa participates actively in major international GDSs, including SABRE, Amadeus and Travelport. In return for access to these GDS systems, Copa pays transaction fees that are generally based on the number of segments booked through each system and a portion of these transaction fees are now passed on to the passenger in the form of a distribution cost recovery surcharge.

Copa has a sales and marketing network consisting of 30 ticket offices, including city ticket offices located in Panama, Colombia and other countries, in addition to the airports where we operate.

In September 2022, Copa implemented a channel differentiation strategy ("Copa Connect") with the objective of shifting sales to more cost-efficient channels. This strategy adds a distribution surcharge to the fare for tickets purchased through the traditional travel agency GDS channel (known as EDIFACT) in order to partially offset the higher cost of this channel. For travel agencies, and their customers, who want to avoid the GDS distribution surcharge, we have offered alternatives leveraging the IATA "New Distribution Capability" (NDC) standard.

Advertising and Promotional Activities. In recent years, we have increased our use of digital marketing, including social media via Facebook, Instagram and Twitter to enhance our brand image and engage customers in a new way. Although the majority of our efforts are currently focused on digital channels, our advertising and promotional activities also include the use of television, print, radio and billboards, as well as targeted public relation events in the cities where we fly. We believe that the corporate traveler is an important part of our business, and we particularly promote our service to these customers by conveying the reliability, convenience and consistency of our service and offering value-added services such as convention and conference travel arrangements. We also promote package deals for the destinations where we fly through combined efforts with selected hotels and travel agencies.

Competition

We face considerable competition throughout our route network. Overall airline industry profit margins are relatively low and industry earnings are volatile. Airlines compete in the areas of pricing, scheduling (frequency and flight times), on-time performance, frequent flyer programs and other services. Strategic alliances, bankruptcy restructurings and industry consolidations characterize the airline industry and tend to intensify competition.

Copa competes with a number of other airlines that currently serve the routes on which we operate, including Avianca, American Airlines, Delta Air Lines, Spirit, JetBlue, Azul, Aeromexico, Gol, Volaris, Viva Air and LATAM, among others. In order to remain competitive, we must constantly react to changes in prices and services offered by our competitors.

The airline industry continues to experience increased consolidation and changes in international alliances, both of which have altered and will continue to alter the competitive landscape in the industry by resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and altered cost structures.

The airline industry is highly susceptible to price discounting, particularly because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. Carriers use discount fares to stimulate traffic during periods of lower demand to generate cash flow and to increase market share. Any lower fares offered by one airline are often matched by competing airlines, which frequently results in lower industry yields with little or no increase in traffic levels. Price competition among airlines could lead to lower fares or passenger traffic on some or all of our routes, which could negatively impact our profitability.

Airlines based in other countries may also receive subsidies, tax incentives or other state aid from their respective governments, which are not provided by the Panamanian government. The commencement of, or increase in, service on the routes we serve by existing or new carriers could negatively impact our operating results. Likewise, competitors' service on routes that we are targeting for expansion may make those expansion plans less attractive. We must constantly react to changes in prices and services offered by our competitors to remain competitive.

Traditional hub-and-spoke carriers in the United States and Europe have in recent years faced substantial and increasing competitive pressure from low-cost carriers offering discounted fares. The low-cost carriers' operations are typically characterized by point-to-point route networks focusing on the highest demand city pairs, high aircraft utilization, single class service and fewer in-flight amenities. As evidenced by the operations of competitors in South and Central American countries it is clear that low-cost carriers are gaining acceptance in the Latin American aviation industry.

With respect to our cargo operations, we will continue to face competition from all of the major airfreight companies, most notably DHL, which has a cargo hub operation at Tocumen International Airport.

Aircraft

As of December 31, 2023, Copa operates a fleet consisting of 106 aircraft**.** As of December 31, 2023, Copa has firm orders to purchase 57 Boeing 737 MAX aircraft to be delivered between 2024 and 2028. In October 2018, Copa signed an aircraft sale and purchase agreement with Azorra Aviation for the sale of five Embraer 190 aircraft in 2019. In 2020, we signed an aircraft sale and purchase agreement for the remaining Embraer 190 aircraft and announced the sale of the B737-700 fleet. In 2021, we completed the sales of the Embraer 190 aircraft and the three B737-700 aircraft. Due to an increase in demand in the region, the Board of Directors approved continuing to operate the remaining nine Boeing 737-700 aircraft for a period of three years. During 2022, the Company sold two B737-700 airframes that were under a lease agreement to a third party.

The current composition of the Copa fleet as of December 31, 2023 is fully described below:

Average Term of Lease

	Number of Aircraft			Remaining	Average Age	Seating
	Total	Owned	Leased	(Years)	(Years)	Capacity
Boeing 737 MAX	29	25	4	6.9	2.3	166/174
Boeing 737-700	9	9	0	0	20.2	124/126
Boeing 737-800	68	41	27	3.4	11.4	154/160/166/186
Total	106	75	31	3.8	9.7	—

The table below describes the expected size of our fleet at the end of each year set forth below, assuming delivery of all aircraft for which we currently have firm orders but not taking into account any aircraft for which we have purchase rights and options:

Aircraft Type	2024	2025	2026	2027	2028	2029	2030
737-700	9	9	6	5	0	0	0
737-800	68	59	56	55	47	47	43
737-MAX[(1)]	38	54	70	79	86	86	83
Total Fleet	115	122	132	139	133	133	126

(1) We have the flexibility to choose between the different members of the 737 MAX family. The delivery schedule above reflects contractual commitments.

The Boeing 737 aircraft currently in our fleet are fuel-efficient and suit our operations well for the following reasons:

- They have simplified maintenance procedures.
- They require just one type of standardized training for our crews.
- They have one of the lowest operating costs in their class.

Our focus on profitable operations means that we periodically review our fleet composition. As a result, our fleet composition changes over time when we conclude that adding other types of aircraft will help us achieve this goal. Following our strategy, as of December 31, 2023, we have firm orders to purchase 57 Boeing 737 MAX aircraft to be delivered between 2024 and 2028. The 737 MAX provides additional benefits to the current fleet such as fuel efficiency, longer range and additional capacity compared to the current Copa seat configuration. Following the Ethiopian Airlines accident involving a Boeing 737 MAX 8 aircraft, we suspended operations of our six Boeing 737 MAX 9 aircraft as regulatory authorities around the world grounded the aircraft. On November 18, 2020 the FAA rescinded its grounding order, issued an airworthiness directive, and published training requirements enabling the Company to begin modifying certain operating procedures, implementing enhanced pilot training requirements, installing FAA-approved flight control software updates, and completing other required maintenance tasks specific to the MAX aircraft. On January 2021, we resumed operations of our Boeing 737 MAX fleet after the authorization of the *Autoridad Aeronáutica Civil de Panama.* On January 6, 2024, following the Airworthiness Directive issued by the FAA, we suspended operations of 21 Boeing 737 MAX 9 aircraft. From January 6 to January 29, 2024, a total of 1,788 flights were cancelled. After undergoing the technical inspections required by regulators, most of these aircraft have returned to our flight schedule.

Through several special purpose vehicles, we currently have beneficial ownership of 75 of our aircraft. In addition, we lease 31 of our aircraft under long-term lease agreements that have an average remaining term of 3.8 years. Leasing some of our aircraft provides us with flexibility to change our fleet composition if we consider it to be in our best interests to do so. We make monthly rental payments, some of which are based on floating rates, but we are not required to make termination payments at the end of the lease. Currently, we do not have purchase options under any of our operating lease agreements. Under our operating lease agreements, we are required to make supplemental rent payments at the end of the lease that are calculated with reference to the aircraft's maintenance schedule. In either case, we must return the aircraft in the agreed-upon condition at the end of the lease term. Title to the aircraft remains with the lessor. We are responsible for the maintenance, servicing, insurance, repair and overhaul of the aircraft during the term of the lease.

To better serve our business travelers, we offer a business class (*Clase Ejecutiva*) configuration in our fleet. Our business class service features upgraded meal service, special check-in desks, bonus mileage for full-fare business class passengers and access to VIP lounges. Our Boeing 737-800 aircraft currently have three different configurations: one with 16 business class seats with 38-inch pitch and a total of 160 seats, a second with 16 business class seats with 48-inch pitch seats and a total of 154 seats and a third with 16 business class seats and a total of 166 seats. Our Boeing 737 MAX 9 aircraft feature two configurations: one with 16 full lie-flat seats in business class (Dreams) and a total of 166 seats and another configuration with twelve full lie-flat seats in business class (Dreams) and a total of 174 seats. Our Boeing 737-700 aircraft have 12 business class seats and a total of 124 and 126 seats.

Also, within the Copa Holdings fleet, there are nine 737-800s dedicated to the operations of Wingo. These aircraft are equipped with 186 economy class seats.

Each of our Boeing 737-Next Generation aircraft is powered by two CFM International Model CFM 56-7B engines. Our Boeing 737 MAX 9 aircraft are powered by two CFM International Leap 1B engines. We currently have twelve spare engines for service replacements and for periodic rotation through our fleet.

Maintenance

The maintenance performed on our aircraft can be divided into two general categories: line and heavy maintenance. Line maintenance consists of routine, scheduled maintenance checks on our aircraft, including pre-flight, service visits, “A-checks” and any diagnostics and routine repairs. Copa’s line maintenance is performed by Copa’s own technicians at our main base in Panama and/or at the out stations by Copa Airlines and/or AeroRepública employees or third-party contractors. Heavy maintenance consists of more complex inspections and overhauls, including “C-checks,” and servicing of the aircraft that cannot be accomplished during an overnight visit. Maintenance checks are performed intermittently as determined by the aircraft manufacturer through Copa Airlines AAC approved maintenance program. These checks are based on the number of hours, departures or calendar months flown. Historically we had contracted with certified outside maintenance providers, such as COOPESA. In October of 2010, Copa decided to begin performing a portion of the heavy maintenance work in-house. The hiring, training, facility and tooling setup, as well as enhancing certain support shops, were completed during a ten-month period. Ultimately, Copa acquired the required certifications by the local authorities to perform the first in-house C-Check in August 2011, followed by its second C-check in October of the same year. Today we are performing a continuous line of C-Checks in-house for the entire year, and on January 20, 2017 we held the ground-breaking of our new maintenance facility at Tocumen International Airport which allows us to perform up to three complete continuous lines of C-checks, as required. The new facility commenced operations in January 2019. In 2023, 17 heavy maintenance checks were successfully performed in-house. When possible, Copa attempts to schedule heavy maintenance during its lower-demand seasons in order to maximize productive use of its aircraft.

Copa has exclusive long-term contracts with GE Engines whereby they perform maintenance on all of our CFM-56 engines.

In October of 2014, Copa Airlines established its own maintenance technician training academy. Through this program, we recruit and train technicians through on-the-job training and formal classes. These future technicians stay in the program for four years total. After the first two years, each trainee receives their airframe license and becomes a mechanic. After the next two years, each trainee receives their power plant license and is released as a mechanic into our work force.

Copa Airlines and AeroRepública employ, system-wide, around 679 maintenance professionals, who perform maintenance in accordance with maintenance programs that are established by the manufacturers and approved and certified by international aviation authorities. Every mechanic is trained in factory procedures and goes through our own rigorous in-house training program. Every mechanic is licensed by the AAC and approximately 24 of our mechanics are also licensed by the FAA. Our safety and maintenance procedures are reviewed and periodically audited by the AAC (Panama), UAEAC (Colombia), the FAA (United States), IATA (IOSA) and, to a lesser extent, every foreign country to which we fly. Copa Airlines’ maintenance facility at Tocumen International Airport has been certified by the FAA as an approved repair station, under FAR Part 145, and once a year the FAA inspects this facility to validate and renew the certification. Copa’s aircraft are initially covered by warranties that have a term of four years, resulting in lower maintenance expenses during the period of coverage. All of Copa Airlines’ and AeroRepública’s mechanics are trained to perform line maintenance on each of the Boeing 737-Next Generation and Boeing 737 MAX.

All of AeroRepública’s’s maintenance and safety procedures are certified by the *Aeronáutica Civil* of Colombia and Bureau Veritas Quality International (“BVQI”), the institute that issues International Organization for Standardization, or “ISO,” quality certificates. All of AeroRepública’s maintenance personnel are licensed by the

Aeronáutica Civil of Colombia. In December 2017, AeroRepública received its IATA Operational Safety Audit, or "IOSA," compliance certification, which will remain valid until December 2024.

Safety

We place a high priority on providing safe and reliable air service. We are focused on continuously improving our safety performance by implementing internationally recognized best practices such as Safety Management System, or "SMS," Flight Data Analysis (FDA), internal and external operational safety audits, and associated programs.

Our SMS provides operational leaders with reactive, proactive, and predictive data analyses that are delivered on a frequent and recurring basis. This program also uses a three-tiered meeting structure to ensure the safety risk of all identified hazards are assessed and corrective actions (if required) are implemented. At the lowest meeting level, the Operational Leaders review the risk assessments, assign actions, and monitor progress. At the middle meeting level, the Chief Operations Officer meets with the Operational Leaders to ensure all cross-divisional issues are properly addressed and funded. At the highest meeting level, the Chief Executive Officer monitors the performance of the SMS program and ensures the safety risk is being properly managed.

The SMS is supported by safety investigations and a comprehensive audit program. Investigations are initiated either by operational events or analyses of relevant trend information, such as via our Flight Data Analysis program. These investigations are conducted by properly qualified and trained internal safety professionals. Our audit program consists of three major components. The first serves as the aircraft maintenance quality assurance program and is supported by six dedicated maintenance professionals. The second team consists of an internal team dedicated to conducting standardized audits of airport, flight operations, and associated functions. The third component of our audit program is a biennial audit of all operational components by the internationally recognized standard IOSA (IATA Operational Safety Audit). In 2022 Copa Airlines and AeroRepública successfully completed IOSA audits by external providers.

Airport Facilities

We believe that our hub at Panama City's Tocumen International Airport (PTY) is an excellent base of operations for the following reasons:

- Panama's consistently temperate climate is ideal for airport operations.
- Tocumen International Airport is the only airport in Central America with two operational runways. Also, unlike some other regional airports, consistent modernization and growth of our hub has kept pace with our needs. In 2012, Tocumen International Airport completed Phase II of an expansion project of the existing terminal. In 2013, Tocumen International Airport awarded the bid for the construction of a new terminal ("Terminal 2" or "T2"), with an additional 20 gates and eight remote positions. Terminal 2 started operating a few gates during the early part of 2019. On June 22, 2022, we moved our ticket counter and baggage claim operations to Terminal 2 and began using 20 fully equipped gates in this new terminal. We also opened a new Copa Club, spanning 20,720 square feet, in the new Terminal. The transition between terminals did not impact our operations.
- Panama's central and sea level location provides a very efficient base to operate our narrow body fleet, efficiently serving short and long-haul destinations in Central, North and South America, as well as the Caribbean.

Tocumen International Airport is operated by an independent corporate entity established by the government, where stakeholders have a say in the operation and development of the airport. The law that created this entity also provided for a significant portion of revenues generated at Tocumen International Airport to be used for airport expansion and improvements. None of the airlines operating at Tocumen International Airport have any formal, written agreements with the airport management to govern access fees, landing rights or allocation of terminal gates. We rely upon our good working relationship with the airport's management and the Panamanian government to ensure that we have access to the airport resources we need at prices that are reasonable.

We provide most of our own ground services and handling of passengers and cargo at Tocumen International Airport. In addition, we provide services to several of the main foreign airlines that operate at Tocumen International Airport. In most of the other airports where we operate, airport support services are provided by external third parties.

We use a variety of facilities at Tocumen International Airport, including our maintenance hangars and our operations facilities in the airport terminal. In January 2019, we opened a new hangar next to our existing maintenance facility. This new hangar has an area of approximately 90,000 square feet and can accommodate up to three narrow body aircraft simultaneously.

Our Gold and higher PreferMember passengers have access to two Copa Clubs at the Tocumen International Airport in Panama, one located in Terminal 1 and the second located in Terminal 2. These passengers also have access to other Copa Clubs in the region, which are strategically located in San José, Guatemala City, Santo Domingo and Bogotá.

Fuel

Fuel costs are extremely volatile, as they are subject to many global economic, geopolitical, weather, environmental and other factors that we can neither control nor accurately predict. Due to its inherent volatility, aircraft fuel has historically been our most unpredictable unit cost. In the past, rapid increases in prices have come from increased demand for oil coupled with limited refinery capacity and instability in oil-exporting countries.

Aircraft Fuel Data

	2023	2022	2021
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	$ 3.02	$ 3.60	$ 2.14
Gallons consumed (in millions)	327.6	291.4	177.4
Available seat miles (in millions)	27,700	24,430	14,934
Gallons per ASM (in hundredths)	1.18	1.19	1.19

In 2023, the average price of West Texas Intermediate or “WTI” crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, decreased by 18.2% from $94.9 per barrel to $77.6 per barrel. In 2023, we did not hedge any of our fuel needs, and we have not hedged any part of our fuel needs for 2024. Although we have not added hedge positions since August of 2015, we continue to evaluate various hedging strategies and may enter into additional hedging agreements in the future, as any substantial and prolonged increase in the price of jet fuel will likely materially and negatively affect our business, financial condition and results of operation. In the past, we have managed to offset some of the increases in fuel prices with higher load factors, fuel surcharges and fare increases. In addition, our relatively young, winglet-equipped fleet and robust fuel conservation measures also help us mitigate the impact of higher fuel prices.

Additionally, global geopolitical events, such as the conflict between Russia and Ukraine beginning in February 2022, led to an increase in fuel costs which may negatively impact our business operations. Due to the evolving nature of such events, we are unable to predict the extent of the impact on our business.

Insurance

We maintain passenger liability insurance in an amount consistent with industry practice, and we insure our aircraft against losses and damages on an “all risks” basis. We have obtained all insurance coverage required by the terms of our leases. We believe our insurance coverage is consistent with airline industry standards and appropriate to protect us from material losses in light of the activities we conduct. No assurance can be given, however, that the amount of insurance we carry will be sufficient to protect us from material losses. By leveraging the purchasing power of our alliance partner, UAL, we have been able to negotiate lower premiums than those we would get if we were to purchase a standalone Hull and Airline Liability Insurance policy.

Environmental

Our operations are covered by various local, national, and international environmental regulations. These regulations cover, among other things, gas emissions into the atmosphere, disposal of solid waste and aqueous effluents, aircraft noise, and other activities that result from the operation of aircraft and our aircraft comply with all environmental standards applicable to their operations as described in this annual report. Currently, we maintain an Environmental Management and Adequacy Program (“PAMA”), in all our facilities located in Panama, including our maintenance hangar and support facilities at the Tocumen International Airport, Administrative Offices in Costa del Este and Training Center in Clayton. This program was approved by the Panamanian National Environmental Authority (“ANAM”) in 2013, governmental entity now named Ministry of Environment (“MiAmbiente”), and includes actions such as a recycling program, better use of natural resources and final disposition of the unfiltered water used for aircraft maintenance, among many others. Currently, the Copa Tocumen International Airport's PAMA final report is presented to MiAmbiente on an annual basis to monitor and report our environmental follow-up assessments. Copa Airlines is an active signatory company of the Global Compact of the United Nations with its local chapter of the Global Compact Network Panama, and have, thus, published our Communication on Progress ("COP") since October 2001. This Global Compact agreement requires us to implement measures like maintaining a young fleet, incorporating new navigation technologies such as RNAV to reduce fuel consumption, installing latest generation winglets and scimitars in our planes to reduce fuel consumption and recycling, among many others.

Starting in 2019, Copa is reporting the fuel consumption burned during its annual flight operations and its gas emissions to the AAC. As a result, Copa is in line with the global aviation effort led by ICAO, Colombia, and Panama Civil Aviation Authorities with the implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The first gas emissions report corresponding to 2019 operations was successfully delivered to the AAC on October 2020, after passing the audit by our external Verification Body of greenhouse gas emissions accredited by ICAO. The Gas Emissions Report (ER) corresponding to 2022 operations was delivered to the AAC on May 2023.

In 2022, we were able to collect a total of 168 tons of recycling materials in Panama's Copa facilities and avoid sending waste to the landfill. During the same period, we recycled vehicle oil and aircraft fuel, for which we outsourced the collection of 11,375 gallons of hydrocarbons for use as alternative fuel for other industries, thus avoiding the contamination of natural resources. We also outsourced the collection of 590,801 gallons of water contaminated with chemicals generated during aircraft cleaning and painting operations, and from vehicle maintenance processes. The subsequent treatment of the collected water made it possible to recover 95% of the volume treated returning 561,261 gallons of water to nature. We have properly disposed of a total of 28,299 kilograms of chemical waste from Aircraft Maintenance operations. Additionally, we have collected 361,000 gallons of waste from beverages on board, which were treated by a supplier and safely returned to nature.

Regulation

Panama

Authorizations and Certificates. Panamanian law requires airlines providing commercial services in Panama to hold an Operation Certificate and an Air Transportation License/Certificate issued by the AAC. The Air Transportation Certificate specifies the routes, equipment used, capacity, and frequency of flights. This certificate must be updated every time Copa acquires new aircraft, or when routes and frequencies to a particular destination are modified.

Panamanian law also requires that the aircraft operated by Copa Airlines be registered with the Panamanian National Aviation Registrar kept by the AAC, and that the AAC certifies the airworthiness of each aircraft in the fleet.

The Panamanian government does not have an equity interest in our Company. Bilateral agreements signed by the Panamanian government have protected our operational position and route network, allowing us to have a significant hub in Panama to transport traffic within and between the Americas and the Caribbean. All international fares are filed and, depending on the bilateral agreement, are technically subject to the approval of the Panamanian government. Historically, we have been able to modify ticket prices on a daily basis to respond to market conditions. Copa Airlines' status as a private carrier means that it is not required under Panamanian law to serve any particular route and is free to withdraw service from any of the routes it currently serves, subject to bilateral agreements. We are also free to determine the frequency of service we offer across our route network without any minimum frequencies imposed by the Panamanian authorities.

Ownership Requirements. The most significant restriction on our Company imposed by the Panamanian Aviation Act, as amended and interpreted to date, is that Panamanian nationals must exercise "effective control" over the operations of the airline and must maintain "substantial ownership." These phrases are not defined in the Aviation Act itself and it is unclear how a Panamanian court would interpret them. The share ownership requirements and transfer restrictions contained in our Articles of Incorporation, as well as the structure of our capital stock described under the caption "Description of Capital Stock", are designed to ensure compliance with these ownership and control restrictions created by the Aviation Act. While we believe that our ownership structure complies with the ownership and control restrictions of the Aviation Act as interpreted by a decree by the Executive Branch, we cannot assure you that a Panamanian court would share our interpretation of the Aviation Act or the decree or that any such interpretations would remain valid for the entire time you hold our Class A shares.

Although the Panamanian government does not currently have the authority to dictate the terms of our service, the government is responsible for negotiating the bilateral agreements with other nations that allow us to fly to other countries. Several of these agreements require Copa to remain "effectively controlled" and "substantially owned" by Panamanian nationals in order for us to use the rights conferred by the agreements. Such requirements are analogous to the Panamanian Aviation Act described above that requires Panamanian control of our business.

Antitrust Regulations. In 1996, the Republic of Panama enacted antitrust legislation, which regulates industry concentration and vertical anticompetitive practices and prohibits horizontal collusion. The Consumer Protection and Free Trade Authority is in charge of enforcement and may impose fines only after a competent court renders an adverse judgment. The law also provides for direct action by any affected market participant or consumer, independently or through class actions. The law does not provide for the granting of antitrust immunity, as is the case in the United States. In February 2006, the antitrust legislation was amended to increase the maximum fines that may be assessed to $1,000,000 for violations and $250,000 for minor infractions of antitrust law. In October 2007, the antitrust legislation was amended again to include new regulations.

Colombia

Even though the Colombian aviation market continues to be regulated by the Colombian Civil Aviation Administration, *Unidad Especial Administrativa de Aeronáutica Civil*, or "*Aeronáutica Civil*," the government policies have become more liberal in recent years.

Colombia has expanded its open-skies agreements with several countries in the last years. In addition to Aruba and the Andean Pact nations of Bolivia, Ecuador and Peru, open-skies agreements have been negotiated with Costa Rica, El Salvador, Panama and Dominican Republic. In the framework of liberalization between Colombia and Panama, any airline has the right to operate unlimited frequencies between any city pair of the two countries. As a result, Copa offers scheduled services between eleven cities in Colombia and Panama. In November 2010, Colombia signed an open-skies agreement with the United States, which took effect in January 2013. With respect to domestic aviation, airlines must present feasibility studies to secure specific route rights, and no airline may serve the city pairs with the most traffic unless that airline has at least five aircraft with valid airworthiness certificates. While *Aeronáutica Civil* has historically regulated the competition on domestic routes, in December 2012 it revoked a restriction requiring a maximum number of competing airlines on each domestic route.

In October 2011, *Aeronáutica Civil* announced its decision to liberalize air fares in Colombia starting April 1, 2012, including the elimination of fuel surcharges. However, airlines are required to charge an administrative fee (*tarifa administrativa*) for each ticket sold on domestic routes within Colombia through an airline's direct channels. Passengers in Colombia are also entitled by law to compensation in the event of delays in excess of four hours, over-bookings and cancellations. Currently, the Bogotá, Pereira, Cali, Cartagena, Medellin, Bucaramanga, Barranquilla, Santa Marta and Cucuta airports, among others, are under private management arrangements. The government's decision to privatize airport administration in order to finance the necessary expansion projects and increase the efficiency of operations has increased airports fees and facility rentals at those airports.

Authorization and Certificates. Colombian law requires airlines providing commercial services in Colombia to hold an operation certificate issued by the *Aeronáutica Civil,* which is renewed every five years. AeroRepública's operation certificate was renewed in 2023.

Safety Assessment. On December 9, 2010, Colombia was re-certified as a Category 1 country under the FAA's IASA program.

Ownership Requirements. Colombian regulations establish that an airline satisfies the ownership requirements of Colombia if it is registered under the Colombian Laws and Regulations.

Antitrust Regulations. In 2009, an antitrust law was issued by the Republic of Colombia; however, commercial aviation activities remain under the authority of the *Aeronáutica Civil*.

Airport Facilities. The airports of the major cities in Colombia have been granted to concessionaries, who impose charges on the airlines for the rendering of airport services. The ability to contest these charges is limited, but contractual negotiations with the concessionaries are possible.

United States

Operations to the United States by non-U.S. airlines, such as Copa Airlines, are subject to Title 49 of the U.S. Code, under which the DOT, the FAA and the TSA exercise regulatory authority. The U.S. Department of Justice also has jurisdiction over airline competition matters under federal antitrust laws.

Authorizations and Licenses. The DOT has jurisdiction over international aviation with respect to air transportation to and from the United States, including regulation of related route authorities, the granting of which are subject to review by the President of the United States. The DOT exercises its jurisdiction with respect to unfair practices and methods of competition by airlines and related consumer protection matters as to all airlines operating to and from the United States. Copa Airlines is authorized by the DOT to engage in scheduled and charter air transportation services, including the transportation of persons, property (cargo) and mail, or combinations thereof, between points in Panama and points in the United States and beyond (via intermediate points in other countries). Copa Airlines holds the necessary authorizations from the DOT in the form of a foreign air carrier permit, an exemption authority and statements of authorization to conduct our current operations to and from the United States. The exemption authority was granted by the DOT in February 1998 and was due to expire in February 2000. However, the authority remains in effect by operation of law under the terms of the Administrative Procedure Act pending final DOT action on the application we filed to renew the authority on January 3, 2000. There can be no assurance that the DOT will grant the application. Our foreign air carrier permit has no expiration date.

Copa Airlines' operations in the United States are also subject to regulation by the FAA with respect to aviation safety matters, including aircraft maintenance and operations, equipment, aircraft noise, ground facilities, dispatch, communications, personnel, training, weather observation, air traffic control and other matters affecting air safety. The FAA requires each foreign air carrier serving the United States to obtain operational specifications pursuant to 14 CFR Part 129 of its regulations and to meet operational criteria associated with operating specified equipment on approved international routes. We believe that we are in compliance in all material respects with all requirements necessary to maintain in good standing our operations specifications issued by the FAA. The FAA can amend, suspend, revoke or terminate those specifications, or can temporarily suspend or permanently revoke our authority if we fail to comply with the regulations, and can assess civil penalties for such failure. A modification, suspension or revocation of any of our DOT authorizations or FAA operating specifications could have a material adverse effect on our business. The FAA also conducts safety audits and has the power to impose fines and other sanctions for violations of airline safety regulations. We have not incurred any material fines related to operations. The FAA also conducts safety International Aviation Safety Assessment, or "IASA," as to Panama's compliance with ICAO safety standards. Panama is currently considered a Category 1 country that complies with ICAO international safety standards. As a Category 1 country, no limitations are placed upon our operating rights to the Unites States. If the FAA should determine that Panama does not meet the ICAO safety standards, the FAA and DOT would restrict our rights to expand operations to the United States.

Security. On November 19, 2001, the U.S. Congress passed, and the President signed into law, the Aviation and Transportation Security Act or the "Aviation Security Act". This law federalized substantially all aspects of civil aviation security and created the TSA, an agency of the Department of Homeland Security, to which the security responsibilities previously held by the FAA were transitioned. The Aviation Security Act requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passengers, their bags and all cargo be screened for explosives and other security-related contraband. Funding for airline and airport security required under the Aviation Security Act is provided in part by a $2.50 per segment passenger security fees for flights departing from the United States, subject to a $10 per roundtrip cap; however, airlines are responsible for costs incurred to meet security requirements beyond those provided by the TSA. The United States government is considering increases to this fee as the TSA's costs exceed the revenue it receives from these fees. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for airlines and their passengers. Since the events of September 11, 2001, the U.S. Congress has mandated, and the TSA has implemented numerous security procedures and requirements that have imposed and will continue to impose burdens on airlines, passengers and shippers.

Passenger Facility Charges. Most major U.S. airports impose passenger facility charges. The ability of airlines to contest increases in these charges is restricted by federal legislation, DOT regulations and judicial decisions. With certain exceptions, air carriers pass these charges on to passengers. However, our ability to pass through passenger facility charges to our customers is subject to various factors, including market conditions and competitive factors. Passenger facility charges are capped at $4.50 per flight segment with a maximum of two PFCs charged on a one-way trip or four PFCs on a round trip, for a maximum of $18 total, respectively.

Airport Access. Two U.S. airports at which we operate, O'Hare International Airport in Chicago (O'Hare) and John F. Kennedy International Airport in New York, or "JFK", were formerly designated by the FAA as "high density" traffic airports subject to arrival and departure slot restrictions during certain periods of the day. From time to time, the FAA has also issued temporary orders imposing slot restrictions at certain airports. Although slot restrictions at JFK were formally eliminated as of January 1, 2007, on January 15, 2008, the FAA issued an order limiting the number of scheduled flight operations at JFK during peak hours to address the over-scheduling, congestion and delays at JFK. We cannot predict the outcome of potential future rule changes to address congestion on our costs or ability to operate at JFK.

On July 8, 2008, the DOT also issued a revised Airport Rates and Charges policy that allows airports to establish non-weight based fees during peak hours and to apportion certain expenses from "reliever" airports to the charges for larger airports in an effort to limit congestion.

Noise Restrictions. Under the Airport Noise and Capacity Act of 1990 and related FAA regulations, aircraft that fly to the United States must comply with certain Stage 3 noise restrictions, which are currently the most stringent FAA operating noise requirements. All of our Copa aircraft meet the Stage 3 requirement.

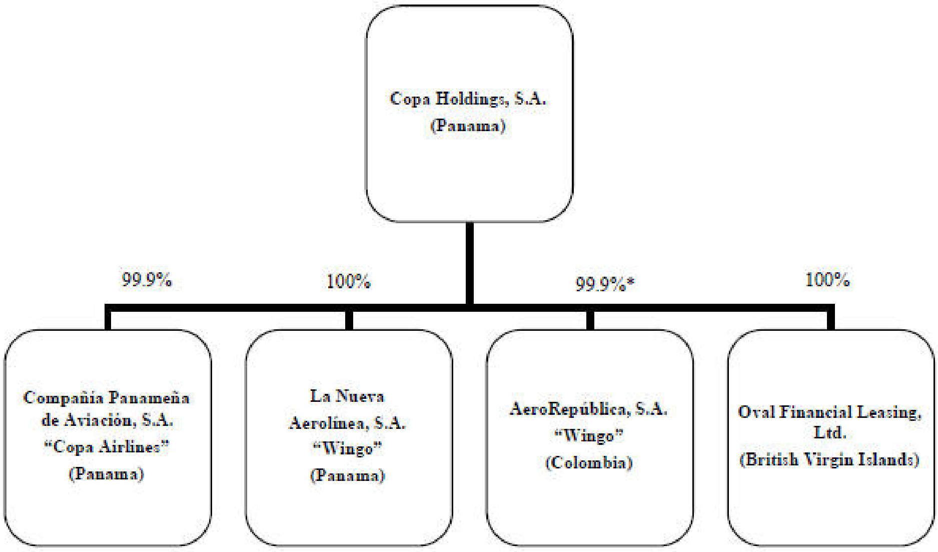
Other Regulation. U.S. laws and regulations have been proposed from time to time that could significantly increase the cost of airline operations by imposing additional requirements or restrictions on airlines. There can be no assurance that laws and regulations currently enacted or enacted in the future will not adversely affect our ability to maintain our current level of operating results.

Other Jurisdictions

We are also subject to regulation by the aviation regulatory bodies that set standards and enforce national aviation legislation in each of the jurisdictions to which we fly. These regulators may have the power to set fares, enforce environmental and safety standards, levy fines, restrict operations within their respective jurisdictions or any other powers associated with aviation regulation. We cannot predict how these various regulatory bodies will perform in the future, and the evolving standards enforced by any of them could have a material adverse effect on our operations.

C. Organizational Structure

The following is an organizational chart showing Copa Holdings and its principal subsidiaries.



* Includes ownership by us held through wholly-owned holding companies organized in the British Virgin Islands.

Copa Airlines is our principal airline operating subsidiary that operates out of our hub in Panama and provides passenger service in North, South and Central America and the Caribbean. Copa Airlines Colombia is our operating subsidiary that provides air travel from Colombia to Copa Airlines Hub of the Americas in Panama, and operates a low-cost business model, Wingo, within Colombia and various cities in the region. Oval Financial Leasing, Ltd. controls the special purpose vehicles that have a beneficial interest in the majority of our fleet.

D. Property, plants and equipment

Headquarters

Our headquarters are located six miles away from Tocumen International Airport. We have leased five floors consisting of approximately 105,9811 square feet of the building from *Desarollo Inmobiliario Del Este, S.A.*, an entity controlled by some of the investors that controls CIASA, under a ten-year lease that began in January 2015 at a rate of $0.2 million per month.

Other Property

At Tocumen International Airport, we lease two maintenance hangars, operations offices in the terminal, counter space, parking spaces and other operational properties from the entity that manages the airport. We pay approximately $286,799 per month for this leased property. Around Panama City, we also lease various office spaces, parking spaces and other properties from a variety of lessors, for which we pay approximately $112,418 per month in the aggregate.

In each of our destination cities, we also lease space at the airport for check-in, reservations and airport ticket office sales, and we lease space for CTOs in those cities.

AeroRepública leases most of its airport offices and CTOs. Owned properties only include one CTO and a warehouse close to the Bogota airport.

See also our discussion of “Aircraft” and “Airport Facilities” above.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

You should read the following discussion in conjunction with our consolidated financial statements and the related notes and the other financial information included elsewhere in this annual report. Discussions of year-over-year comparisons between 2022 and 2021 that are not included in this Form 20-F can be found in Part I, Item 5, Operating and Financial Review and Prospects” of our Form 20-F for the fiscal year ended December 31, 2022.

We are a leading Latin American provider of airline passenger and cargo service through our two principal operating subsidiaries, Copa Airlines and AeroRepública. Copa Airlines operates from its strategically located position in the Republic of Panama, and AeroRepública operates a low-cost business model within Colombia and various cities in the region.

Copa currently offers approximately 375 daily scheduled flights among 82 destinations in 32 countries in North, Central and South America and the Caribbean from its Panama City hub. Copa provides passengers with access to flights to more than 180 other destinations through code-share arrangements with our Star Alliance partners and other carriers including Air France, KLM, Iberia, Emirates, Gol, Azul, Tame, Cubana and Aeromexico. Through its Panama City hub, Copa Airlines is able to consolidate passenger traffic from multiple points to serve each destination effectively.

As of December 31, 2023, Copa Airlines and Wingo operate a modern fleet of 106 Boeing 737 aircraft. To meet growing capacity requirements, we have firm orders, including purchase and lease commitments. As of December 31, 2023, the Company has firm orders to purchase 57 Boeing 737 MAX aircraft to be delivered between 2024 and 2028.

Factors Affecting Our Results of Operations

Fuel

In 2023, the average price of WTI crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, decreased by 18.2% from $94.9 per barrel to $77.6 per barrel. In 2023, we did not hedge any of our fuel needs. For 2024 although we have not hedged any part of our anticipated fuel needs, we continue to evaluate various hedging strategies and may enter into hedging agreements in the future, as any substantial and prolonged increase in the price of jet fuel will likely materially and negatively affect our business, financial condition and results of operation. In the past, we have managed to offset some of the increases in fuel prices with higher load factors, fuel surcharges and fare increases. In addition, our relatively young, winglet-equipped fleet and robust fuel conservation measures also help us mitigate the impact of higher fuel prices.

Additionally, global geopolitical events, such as the conflict between Russia and Ukraine beginning in February 2022, have led to an increase in fuel costs which may negatively impact our business operations. Due to the evolving nature of such events, we are unable to predict the extent of the impact on our business.

Regional Economic Environment

Our historical financial results have been, and we expect them to continue to be, materially affected by the general level of economic activity and growth of per capita disposable income in North, South and Central America and the Caribbean, which have a material impact on discretionary and leisure travel (drivers of our passenger revenue) and the volume of trade between countries in the region (the principal driver of our cargo revenue).

In Colombia, real GDP, at constant prices, increased 1.4% in 2023. Average inflation of consumer prices in Colombia was approximately 11.4 in 2023, according to the IMF.

According to data from The Preliminary Overview of the Economies of Latin America and the Caribbean, an annual United Nations publication prepared by the Economic Development Division, the economy of Latin America (including the Caribbean) is estimated to increase by 1.9%% in 2024. Preliminary figures, according to the IMF, for 2023 indicate that the Panamanian economy increased by 6.0% (versus 10.8% increase in 2022). Headline inflation in Panama was 1.5% compared to 2.9% in 2022.

Revenues

We derive our revenues primarily from passenger transportation, which represented 95.9% of our revenues for the year ended December 31, 2023. In addition, 2.8% of our total revenues are derived from cargo and 1.3% from other activities.

We recognize passenger revenue from tickets when transportation is provided rather than when a ticket is sold. Passenger revenues reflect the capacity of our aircraft on the routes we fly, load factor and yield. Our capacity is measured in terms of available seat miles, or “ASMs”, which represents the number of seats available on our aircraft multiplied by the number of miles the seats are flown. Our usage is measured in terms of RPMs, which is the number of revenue passengers multiplied by the miles these passengers fly. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing RPMs by ASMs. Yield is the average amount that one passenger pays to fly one mile. We use a combination of approaches, taking into account yields, flight load factors and effects on load factors of connecting traffic, depending on the characteristics of the markets served, to arrive at a strategy for achieving the best possible revenue per available seat mile, balancing the average fare charged against the corresponding effect on our load factors.

We recognize cargo revenue when transportation is provided. Historically our other revenue consists primarily of commissions earned on tickets sold for flights on other airlines, special charges, non-air frequent flyer program revenue and services provided to other airlines.

Overall demand for our passenger and cargo services is highly dependent on the regional economic environment in which we operate, including the GDP of the countries we serve and the disposable income of the residents of those countries. Approximately 25% of our passengers travel at least in part for business reasons, and the growth of intraregional trade greatly affects that portion of our business. The remaining 75% of our passengers are tourists or travelers visiting friends and family.

The following table sets forth our capacity, load factor and yields for the periods indicated.

	2023	2022	2021
Capacity (in available seat miles, in millions)	27,700	24,430	14,934
Load factor	86.8 %	85.1 %	78.6 %
Yield (in cents)	13.79	13.59	12.04

Seasonality

Generally, revenues and profitability of our flights peak during the northern hemisphere's summer season in July and August and again during the December and January holiday season. Given our high proportion of fixed costs, this seasonality is likely to cause our results of operations to vary from quarter to quarter.

Operating Expenses

The main components of our operating expenses are aircraft fuel, wages, salaries, benefits and other employees' expenses, sales and distribution and airport facilities and handling charges. A common measure of per unit costs in the airline industry is cost per available seat mile, or "CASM", which is generally defined as operating expenses divided by ASMs.

Fuel. The price we pay for aircraft fuel varies significantly from country to country primarily due to local taxes. While we purchase aircraft fuel at most of the airports to which we fly, we attempt to negotiate fueling contracts with companies that have a multinational presence in order to benefit from volume purchases. During 2023, as a result of the location of its hub, Copa purchased 52% of its aircraft fuel in Panama. Copa has 26 suppliers of aircraft fuel across its network. In some cases, we tanker fuel in order to minimize our cost, by fueling in airports where fuel prices are lowest. Our aircraft fuel expenses are variable and fluctuate based on global oil prices.

Aircraft Fuel Data

	2023	2022	2021
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	$ 3.02	$ 3.60	$ 2.14
Gallons consumed (in millions)	327.6	291.4	177.4
Available seat miles (in millions)	27,700	24,430	14,934
Gallons per ASM (in hundredths)	1.18	1.19	1.19

Wages, salaries and other employees' expenses. Salary and benefit expenses have historically increased at the rate of inflation and by the growth in the number of our employees. In some cases, we have adjusted the salaries of our employees to correspond to changes in the cost of living in the countries where these employees work. We do not increase salaries based on seniority. Our profit-sharing variable compensation program reflects our belief that our employees will remain dedicated to our success if they have a stake in that success. We typically make accruals each month for the expected annual bonuses, which are reconciled to actual payments at their dispersal within the first half of the following year. The bonus payments are approved by our compensation committee.

Passenger servicing. Our passenger servicing expenses consist of catering, in-flight entertainment and liability insurance among others. These expenses are generally directly related to the number of passengers we carry or the number of flights we operate.

Airport facilities and handling charges. Our airport facility and handling charges consist of take-off/landing charges, aircraft parking charges, baggage handling, and airport security charges. These charges are mainly driven by the number of flights we operate.

Sales and distribution. Our sales and distribution expenses are driven mainly by passenger revenues, indirect channel penetration performance, agreed commission rates, and from payments to global distribution systems "GDS", such as Amadeus and Sabre. Our commission expenses consist primarily of payments for ticket sales made by travel agents and commissions paid to credit card companies, depending on the country. During the last few years we have reduced our commission expense per available seat mile as a result of an industry-wide trend of paying lower commissions to travel agencies and by increasing the proportion of our sales made through direct channels. We expect this trend to continue as more of our customers become accustomed to purchasing through our website at www.copaair.com, mobile app, and call centers. While increasing direct sales may increase the commissions we pay to credit card companies, we expect that the savings from the corresponding reduction in travel agency commissions will more than offset this increase. In recent years, base commissions paid to travel agents have decreased significantly. At the same time, we have encouraged travel agencies to move from standard base commissions to incentive compensation based on sales volume and fare types. In addition, the GDS or reservation systems tend to raise their rates periodically, but we expect that if we are successful in encouraging our customers to purchase tickets through our direct sales channels, these costs will decrease as a percentage of our operating costs. A portion of our reservations and sales expenses is also comprised of our licensing payments for the SHARES reservation and check-in management software we use, which is not expected to change significantly from period to period.

Maintenance, materials and repairs. Our maintenance, materials and repairs expenses consist of aircraft repair expenses and charges related to the line maintenance of our aircraft, including maintenance materials, and aircraft return costs. As the age of our fleet increases and our warranties expire, our maintenance expenses will increase. We conduct line and heavy maintenance internally and outsource some of the heavy maintenance to independent third-party contractors.

Depreciation, amortization and impairment. These expenses correspond primarily to the depreciation of aircraft owned by the company, engines, maintenance components, other related flight equipment and the depreciation of the right of use on leased assets.

Flight operations. These expenses are related to the charges that the countries which we overfly levy on our aircraft as overflight charges. These fees are generally related to the number of flights we operate.

Other operating and administrative expenses. Other expenses include cargo and courier expenses, overhead expenditures and miscellaneous expenses. Also includes the expense for contract services, variable lease payments, short term and low value leases.

Taxes

We pay taxes in the Republic of Panama and in other countries in which we operate, based on regulations in effect in each respective country. Our revenues come principally from foreign operations, and according to the Panamanian Fiscal Code income from these foreign operations are not subject to income tax in Panama.

The Panamanian Fiscal Code for the airline industry states that tax is based on net income earned for traffic whose origin or final destination is the Republic of Panama. The applicable tax rate is currently 25%. Dividends from our Panamanian subsidiaries, including Copa, are separately subject to a 10% percent withholding tax on the portion attributable to Panamanian sourced income and a 5% withholding tax on the portion attributable to foreign sourced income. Additionally, a 7% value added tax is levied on tickets issued in Panama for travel commencing in Panama and going abroad, irrespective of where such tickets were ordered.

We received notifications from the tax authorities in Panama in February 2020 and in Colombia in November 2020 and March 2016. We, along with our tax advisors, have concluded that it is unlikely that we will need to allocate resources to settle these claims. This conclusion is based on the strength of our defense arguments and the fact that both cases are in the preliminary stages.

In February 2020, we received two notifications from the tax authorities in Panama related to a tax audit process that began in 2019. The notifications include potentially significant adjustments to the reported dividend tax for the years 2012 to 2016 and income tax for the year 2016. We have filed an administrative appeal, which is the first legal stage under Panamanian laws. We, along with our tax advisors, have concluded that is probable that our tax position will be upheld. As a result, it is not probable that we will incur any significant additional tax as result. According to Panamanian laws, the statute of limitations is three and 15 years for income tax and dividend tax claims, respectively.

We are also subject to local tax regulations in each of the other jurisdictions where we operate, the great majority of which are related to the taxation of our income. In some of the countries to which we fly, we do not pay any income taxes because we do not generate income under the laws of those countries either because they do not have income taxes or due to treaties or other arrangements those countries have with Panama. In the remaining countries, we pay income tax at rates ranging from 7% to 35% of our income attributable to those countries. Different countries calculate our income in different ways, but they are typically derived from our sales in the applicable country multiplied by our net margin or by a presumed net margin set by the relevant tax legislation.

The determination of our taxable income in several countries is based on a combination of revenues sourced to each particular country and the allocation of expenses to that particular country. The methodology for multinational transportation company sourcing of revenue and expense is not always specifically prescribed in the relevant tax regulations, and therefore is subject to interpretation by both ourselves and the respective tax authorities. Additionally, in some countries, the applicability of certain regulations governing non-income taxes and the determination of our filing status are also subject to interpretation. We cannot estimate the amount, if any, of the potential tax liabilities that might result if the allocations, interpretations and filing positions we use in preparing our income tax returns were challenged by the tax authorities of one or more countries. If taxes were to increase, our financial performance and results of operations could be materially and adversely affected. Due to the competitive revenue environment, many increases in fees and taxes have been absorbed by the airline industry rather than being passed on to the passenger. Any such increases in our fees and taxes may reduce demand for air travel and thus our revenues.

Under a reciprocal exemption confirmed by a bilateral agreement between Panama and the United States, we are exempt from the U.S. source transportation income tax derived from the international operation of aircraft.

Our income tax expense totaled approximately $97.0 million in 2023, $40.2 million in 2022 and $10.5 million in 2021.

Results of Operation

The following table shows each of the line items in our statement of profit or loss for the periods indicated as a percentage of our total operating revenues for that period:

	2023	2022	2021
Operating revenues:			
Passenger revenue	95.9 %	95.3 %	93.5 %
Cargo and mail revenue	2.8 %	3.4 %	4.7 %
Other operating revenue	1.3 %	1.3 %	1.7 %
Total operating revenues	100.0 %	100.0 %	100.0 %
Operating expenses:			
Fuel	28.8 %	35.5 %	25.4 %
Wages, salaries, benefits and other employees expenses	12.6 %	12.8 %	17.1 %
Passenger servicing	2.6 %	2.4 %	2.4 %
Airport facilities and handling charges	6.4 %	6.5 %	8.7 %
Sales and distribution	6.6 %	7.6 %	8.6 %
Maintenance, materials and repairs	3.8 %	3.5 %	2.8 %
Depreciation, amortization and impairment	8.9 %	9.0 %	15.9 %
Impairment of non financial assets	— %	— %	(0.4)%
Flight operations	3.2 %	3.3 %	3.7 %
Other operating and administrative expenses	3.8 %	4.2 %	5.8 %
Total operating expenses	76.6 %	84.8 %	89.9 %
Operating income	23.4 %	15.2 %	10.1 %
Non-operating income (expense):			
Finance cost	(4.6)%	(3.0)%	(5.0)%
Finance income	1.5 %	0.6 %	0.7 %
Gain (loss) on foreign currency fluctuations	0.1 %	(0.3)%	(0.4)%
Net change in fair value of derivatives	(2.8)%	0.6 %	(1.5)%
Other non-operating income (expense)	0.2 %	— %	(0.2)%
Total non-operating income (expense)	(5.7)%	(2.1)%	(6.5)%
Profit before income taxes	17.7 %	13.1 %	3.6 %
Income taxes	(2.8)%	(1.4)%	(0.7)%
Net profit	14.9 %	11.7 %	2.9 %

Year 2023 Compared to Year 2022

Our consolidated net profit in 2023 totaled $514.1 million, compared to a net profit of $348.1 million in 2022. In addition, we had consolidated operating profit of $807.2 million in 2023, compared to an operating profit of

$450.4 million in 2022. Our consolidated operating margin in 2023 was 23.4%, an increase of 8.2 percentage points versus 2022. These results were driven by passenger demand increase with higher average fares.

Operating revenue

Our consolidated revenue totaled $3.5 billion in 2023, a 16.6% increase over operating revenue of $3.0 billion in 2022, mainly due to a 18.1% increase in passenger traffic, offset by a decrease of 0.6% in passenger average fare, and lower cargo volumes and rates.

Passenger revenue. Passenger revenue totaled $3.3 billion in 2023, a 17.4% increase over passenger revenue of $2.8 billion in 2022. This was driven by a 18.1% increase in passengers, partially offset by a decrease of 0.6% in passenger average fare.

Cargo and mail revenue. Cargo and mail revenue totaled $97.1 million in 2023, a 4.6% decrease from cargo and mail revenue of $101.8 million in 2022, related to lower cargo volumes and rates.

Other operating revenue. Other operating revenue totaled $43.5 million in 2023, a 13.0% increase from other revenue of $38.5 million in 2022 driven by an increase in frequent flyer program partnership revenues.

Operating expenses

Our consolidated operating expenses totaled $2.6 billion in 2023, a 5.4% increase over operating expenses of $2.5 billion in 2022. This is mainly as a result of 13.4% increase of ASMs versus 2022, offset by lower fuel costs.

An overview of the major variances in operating expenses on a consolidated basis follows:

Fuel. Aircraft fuel totaled $995.9 million in 2023, a 5.4% decrease from aircraft fuel of $1,052.6 million in 2022, mainly due to a 16.1% lower effective fuel price, offset by a 12.4% increase in block hours.

Wages, salaries and other employees' expenses. Salaries and benefits totaled $436.5 million in 2023, a 14.7% increase over salaries and benefits of $380.4 million in 2022, mainly as a result of an increased headcount to support additional capacity, as well as salary adjustments and provisions for variable compensation.

Passenger servicing. Passenger servicing totaled $89.1 million in 2023 compared to $70.1 million in 2022. This represented a 27.3% increase driven by 18.1% more passengers and a higher effective rate per passenger that resulted from an upgrade in the onboard product offering.

Airport facilities and handling charges. Airport facilities and handling charges totaled $221.9 million in 2023, a 15.2% increase over $192.6 million in 2022. This increase was driven mainly by a 14.1% increase in departures and higher effective rates related to handling charges and airport services.

Sales and Distribution. Sales and distribution totaled $227.2 million in 2023, a 1.2% increase compared to $224.5 million in 2022, driven mainly to 9.1% more sales, offset by a reduction in our distribution costs as a result of higher penetration of both direct sales and the lower-cost travel agency channels.

Maintenance, materials and repairs. Maintenance, materials and repairs totaled $132.5 million in 2023, a 27.3% increase over $104.1 million in 2022, primarily a result of an increase of major component repairs and materials consumption related to 11.7% more flight hours in 2023 versus 2022, partially offset by an adjustment in the company's provision related to the future return of leased aircraft.

Depreciation, amortization and impairment. Depreciation totaled $306.1 million in 2023, a 14.3% increase over $267.7 million in 2022, mainly related to additional aircraft and more maintenance events.

Flight operations. Flight operations amounted to $109.9 million in 2023, an 13.0% increase compared to $97.3 million in 2022, mainly due to 12.4% more block hours and higher overflight rates.

Other operating and administrative expenses. Other expenses totaled $130.7 million in 2023, a 4.1% increase from $125.4 million in 2022, mostly related to an increase in overhead expenses mainly related to IT costs.

Total Non-operating Income (Expense)

Non-operating expense totaled $196.1 million in 2023, as compared to non-operating expense of $62.2 million in 2022 mainly due to a translational loss in fair value derivatives in our convertible notes as a result of the settlement.

Finance cost. Finance cost totaled $158.2 million in 2023 mainly comprised of the interest expense related to the amortization of the debt principal and debt issuance costs associated with the convertible notes retired during the period, loan interest and commission expenses, discount rate utilized for the calculation of leased aircraft charges, interest charges related to operating leases and other interest charges. This represents a 80.6% increase over finance cost of $87.6 million in 2022.

Finance income. Finance income totaled $50.2 million in 2023, an 178.6% increase over finance income of $18.0 million in 2022 mainly due to higher interest rates.

Gain (loss) in foreign currency fluctuations. Gain in foreign currency fluctuations totaled $3.1 million in 2023, an 131.5% decrease over loss in foreign currency fluctuations of $9.8 million in 2022, this result mainly driven by the Colombian peso strengthening throughout the year 2023.

Net change in fair value of derivatives. Net fair value of derivatives totaled $98.3 million loss in 2023, a 671.9% decrease over $17.2 million income in 2022, related to the Company's convertible notes as a result of the settlement.

Other non-operating *income (expense).* Other non-operating expense totaled $7.2 million income in 2023, compared to $0.1 million income in 2022 mainly due to changes in the value of financial investments.

B. Liquidity and Capital Resources

Our cash, cash equivalents, and short-term investments at December 31, 2023 decreased by $19.6 million compared to December 31, 2022, to $915.2 million. As part of our financing policy, we expect to meet our liquidity needs with cash from operations, cash on hand and the utilization of committed credit facilities, if needed. As of the date hereof, our current unrestricted cash exceeds our forecasted cash requirements to carry out operations, including payment of debt service, for fiscal year 2024.

Our cash, cash equivalent and short-term investment position represented 26.5% of our revenues for the year ended December 31, 2023 and 17.6% of our total assets and 43.1% of our total equity as of December 31, 2023, which we believe provides us with an adequate liquidity position.

In recent years, we have been able to meet our working capital requirements through cash from our operations. In 2023, we experienced an increase in our operational net cash inflow of $286.2 million compared with the previous year. Our ability to meet our liquidity needs in the future is subject to numerous risks and uncertainties, including the levels of cash refunds of customer deposits, the results of contract negotiations with suppliers and whether we take delivery of aircraft pursuant to existing commitments as well as the terms on which we do so and the terms of any related financing available to us.

Our capital expenditures, which consist primarily of aircraft purchases, are funded through a combination of our cash from operations and long-term financing. From time to time, we finance pre-delivery payments related to our aircraft with short or medium-term financing in the form of commercial bank loans and/or bonds privately placed with commercial banks, as well as resorting to a deferred pre-delivery schedule from the aircraft manufacturer.

Copa Holdings, S.A., through its subsidiaries, has aggregate uncommitted unsecured credit facilities of $325.0 million as of December 31, 2023.

Operating Activities

We rely primarily on cash flows from operations to provide working capital for current and future operations. Our net cash flows provided by operating activities for the year ended December 31, 2023 were a net operating cash inflow of $1,044.8 million, an increase of $286.2 million compared to a net operating cash inflow of $758.5 million in 2022. Our principal source of cash is receipts from ticket sales to customers, which for the year ended December 31, 2023 increased by $358 million over receipts in the year 2022.

Investing Activities

Net cash flow used in investing activities was $543.0 million in 2023 compared to a net cash flow used in investing activities of $552.2 million in 2022. During 2023, we made capital expenditures of $572.1 million, which consisted of expenditures related to acquisition of property and equipment and net of advance payments and reimbursements on aircraft purchase contracts, related to the arrival of 8 Boeing 737 MAX during 2023, compared to $526.9 million in 2022. In 2023, the Company had $53.7 million from net proceeds of investments compared to $14.3 million used in acquisition and redemption from investments in 2022. Also, in 2023, we had proceeds from sale of property and equipment of $5.1 million, compared to $7.4 million in 2022. We also had expenditures of $29.7 million in acquisition of intangible assets in 2023 compared to $18.5 million in 2022.

Financing Activities

Net cash flow used in financing activities was $394.0 million in 2023 compared to net cash flow used in financing activities of $273.7 million in 2022. During 2023, $428.3 million of proceeds from borrowings were offset by the repayment of $350.0 million of the convertible notes, repayment of $152.3 million in debt, $134.2 million in dividends paid, $105.9 million in repurchase of treasury shares and $80.0 million in payment of lease liability. During 2022, $222.5 million of proceeds from borrowings were offset by the repayment of $249.5 million in debt, $167.6 million in repurchase of treasury shares and $79.0 million in payment of lease liability.

Over the years, we have financed the acquisition of Boeing 737-Next Generation aircraft through syndicated loans provided by international financial institutions with the support of guarantees issued by the Export-Import Bank of the United States, or “Ex-Im”, with repayment profiles of 12 years. The Ex-Im guarantees support 80%-85% of the net purchase price and are secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of Ex-Im. The documentation for each loan follows standard market forms for this type of financing, including standard events of default. Our Ex-Im supported financings amortize on a quarterly basis, are denominated in dollars and can bear interest at a floating rate linked to SOFR or be set at a fixed rate. As of December 31, 2023 the Company had $416.6 million (2022: $466.6 million) of long-term fixed rate debt of outstanding indebtedness that is owed to financial institutions under financing arrangements guaranteed by the Export-Import Bank of the United States. At December 31, 2023, the total amount outstanding under our Ex-Im-supported financings totaled $416.6 million.

Since 2014, we have financed our aircraft through a mix of Japanese Operating Leases with Call Options, or “JOLCO”, and sale-leasebacks.

JOLCO is a Japanese-sourced lease transaction that provides for 100% financing and is typically used to finance new aircraft and has a minimum lease term of 10 years. In a JOLCO, the aircraft is purchased by a Japanese equity investor. The Japanese equity investor funds approximately 30% of the acquisition cost of the aircraft and becomes the owner of the aircraft via a Special Purpose Entity. An international bank with onshore lending capabilities provides the balance of the aircraft purchase price via a senior secured mortgage loan. JOLCOs have a call option, which lessees often expect the lessor to exercise. Under IFRS, these transactions are accounted for as financings. We have financed 29 Boeing 737 Next Generation and 737 MAX aircraft since 2014 through JOLCO financing. As of December 31, 2023, JOLCO financed debt outstanding was $1.0 billion.

Capital resources. We finance our aircraft through long-term debt and operating lease financings. Although we expect to finance future aircraft deliveries with a combination of similar debt arrangements and financing leases, we may not be able to secure such financing on attractive terms. To the extent we cannot secure financing, we may be required to modify our aircraft acquisition plans or incur higher than anticipated financing costs. We expect to meet our operating obligations as they become due through available cash and internally generated funds, supplemented as necessary by short-term or medium-term credit lines.

As of December 31, 2023, we have firm orders to purchase 57 Boeing 737 MAX aircraft to be delivered between 2024 and 2028. The aircraft under this contract have an approximate value of $2.8 billion based on contractual obligations net of discounts and pre-delivery payments, including estimated amounts for contractual price escalation.

We meet our pre-delivery deposit requirements for our Boeing 737 MAX aircraft by using cash from operations, or by using short or medium-term borrowing facilities and/or vendor financing for deposits required between three years and six months prior to delivery.

The Company maintained letters of credit with several banks with a value of $31.3 million as of December 31, 2023 (compared to 2022: $32.3 million, as of December 31, 2022). These letters of credit are pledged mainly for operating lessors, maintenance providers and airport operators.

The Company has aggregate unsecured credit facilities of $325.0 million (2022: 355.0 million). These credit facilities are in place for contingency and working capital purposes. As of December 31, 2023, the Company does not have any outstanding borrowings under these credit facilities.

C. Research and Development, Patents and Licenses, etc.

We believe that the Copa brand has strong value and indicates superior service and value in the Latin American travel industry. We have registered the trademarks “Copa”, “Copa Airlines”, “Wingo” and “Hub of the Americas” with the trademark offices in Panama, the United States, and the majority of the countries in which we operate. We license certain brands, logos and trade uniforms under the trademark license agreement with UAL related to our alliance. We will have the right to continue to use our current logos on our aircraft for up to five years after the end of the alliance agreement term. “Copa Colombia”, “Copa Airlines Colombia”, “Wingo” and “Hub of the Americas” are registered names and trademarks in Colombia, Panama, Ecuador, Venezuela, Mexico, Dominican Republic, and Guatemala.

We operate many software products under licenses from our vendors, including our passenger services system, booking engine, revenue management software and our cargo management system. Under our agreements with Boeing, we also use a large amount of Boeing’s proprietary information to maintain our aircraft. The loss of these software systems or technical support information from our vendors could negatively affect our business.

D. Trend Information

Since 2020, the COVID-19 pandemic has had a material adverse impact on the airline industry and the Company’s operations. Despite the recent significant economic improvements due to more passenger demand and less travel restrictions, the extent of the future impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on future developments, including, but not limited to, the scope and severity of the pandemic related travel advisories and restrictions, the availability and effectiveness of vaccines, the effectiveness of available vaccines against variants of the virus, the duration and severity of the impact of the COVID-19 pandemic on overall demand for air travel, and the ongoing economic recession, all of which are highly uncertain and cannot be predicted. See “Risks Relating to our Company”.

Additionally, global geopolitical events, such as the conflict between Russia and Ukraine beginning in February 2022 and the conflict between Israel and Hamas beginning in October 2023, have led to an increase in fuel costs which may negatively impact our business operations. Due to the evolving nature of such events, we are unable to predict the extent of the impact on our business. While we do not expect that the conflict will be directly material to us, collateral effects of the geopolitical instability, such as the imposition of sanctions against Russia and Russia’s response to such sanctions, could adversely affect the global economy or domestic markets where we operate. Also, global macroeconomic conditions, such as inflation and recession, in key markets where we operate can negatively impact our business and we cannot predict the severity or duration of such conditions or their effect.

E. Critical Accounting Estimates

Not applicable.

Item 6. Directors, senior management and employees

A. Directors and Senior Management

Currently, our Board of Directors is comprised of eleven members. The number of directors elected each year varies. Pedro Heilbron, Alvaro Heilbron, Carlos A. Motta, John Gebo, Andrew Levy, Julianne Canavaggio and Makelin Arias were each re-elected for two-year terms at our annual shareholders’ meeting held in 2022. Carlos Mario Giraldo was elected as independent director for two-year terms and Stanley Motta, José Castañeda, and John Connor were each re-elected as directors for two-year terms at our annual shareholders’ meeting held in 2023.

The following table sets forth the name, age and position of each member of our Board of Directors as of February 29, 2024. A brief biographical description of each member of our Board of Directors follows the table:

Name	Position	Age
Pedro Heilbron	Chief Executive Officer and Director	65
Stanley Motta	Chairman and Director	78
Alvaro Heilbron	Director	58
Carlos A. Motta	Director	51
John Gebo	Director	53
José Castañeda Velez	Director	79
Andrew Levy	Director	54
Josh Connor	Director	50
Julianne Canavaggio	Director	42
Makelin Arias	Director	58
Carlos Mario Giraldo	Director	63

Mr. Pedro Heilbron. See "—Executive Officers".

Mr. Stanley A. Motta has been one of the directors of Copa Airlines since 1986 and a director of Copa Holdings since it was established in 1998. Since 1990, he has served as the President of Motta Internacional, S.A. an international importer and distributor of consumer goods. Mr. Motta is father of Mr. Carlos A. Motta. He serves on the boards of directors of Motta Internacional, S.A., Grupo ASSA and ASSA Compañía de Seguros, S.A., Inversiones Bahía, Ltd. and GBM Corporation and also serves as a director in numerous other privately held companies. Mr. Motta is a graduate of Tulane University.

Mr. Alvaro Heilbron was elected as director of Copa Holdings in 2012. He is the brother of Mr. Pedro Heilbron, our chief executive officer. Mr. Heilbron is the Co-Founder and President at Gotuuri, an online marketplace for Experiences and Activities. He co-founded and serves on the board of Editora del Caribe, S.A. He also serves on the board of Grupo PTM Panama, S.A., and Inversiones Haripasa. Mr. Heilbron holds a B.S. in Business Administration from George Washington University, and a Post-Graduate degree in Management from INCAE Business School. Mr. Heilbron also served as Vice-President of Commercial for Copa Airlines between the years of 1988 and 1999.

Mr. Carlos A. Motta was elected as a director of Copa Holdings in 2014. He has held several positions within Motta Internacional, S.A. and is currently a director and part of the executive committee. He is the son of Mr. Stanley Motta. Mr. Motta serves on the board of Inversiones Bahia, Copa Holdings, ASSA Compañía de Seguros, S.A, Banco General, Motco Inc., Fundación Alberto C. Motta, IFF Panama (Panama Film Festival), and Junior Achievement Worldwide among others. Mr. Motta is a member of YPO (Young Presidents Organization); AGLN (The Aspen Global Leadership Network); CEAL (Consejo Empresarial de America Latina). Mr. Motta received a bachelor's degree in marketing from Boston College and an MBA from Thunderbird (The American Graduate School of International Management).

Mr. John Gebo was elected as a director of Copa Holdings in 2015. He is Senior Vice President of Transformation for United Airlines. Prior to his current position, Mr. Gebo was United's Senior Vice President of Alliances, and Senior Vice President of Financial Planning and Analysis. Mr. Gebo joined United in 2000, and has held positions of increasing responsibility in finance, investor relations, and alliances. Prior to joining United, Mr. Gebo worked at General Motors Corporation in manufacturing engineering. Mr. Gebo received his bachelor's degree in mechanical engineering from the University of Texas and his master's degree in business administration from the University of Michigan. Mr. Gebo has also been a member of the board of directors of Azul S.A. and served for eight years on the board of directors of Alliant Credit Union, one of the largest credit unions in the United States, last serving as Vice Chairman in 2018.

Mr. José Castañeda Velez is one of the independent directors of Copa Holdings. He is currently a director on the boards of MMG Bank Corporation and MMG Trust S.A. Previously, Mr. Castañeda Velez was the chief executive officer of Banco Latinoamericano de Exportaciones, S.A.—BLADEX and has held managerial and officer level positions at Banco Río de la Plata, Citibank, N.A., Banco de Credito del Peru and Crocker National Bank. He is a graduate of the University of Lima.

Mr. Andrew Levy was elected as a director of Copa Holdings in 2016. Mr. Levy is currently Chairman and CEO of Avelo, Inc. and its wholly owned subsidiary Avelo Airlines, a new ultra-low-cost carrier focused on the US domestic market. Previously, he served as Executive Vice President and Chief Financial Officer of United Airlines from 2016 to 2018. He also served as President, Chief Operating Officer, Chief Financial Officer, Treasurer and as a member of the Board of Directors of Allegiant Travel Company, parent company of US ultra-low-cost carrier Allegiant Air, from 2001 to 2014. Mr. Levy started his airline career in 1994 at ValuJet Airlines, Inc. and then joined Savoy Capital, an investment banking and advisory firm specializing in the airline industry in 1996, also joined the board of AerSale (NASDAQ listed ASLE) in April 2023 and currently is a member of their audit committee. He holds a Juris Doctor degree from Emory University School of Law and a BA degree in Economics from Washington University in St. Louis.

Mr. Josh Connor is the founding partner of Connor Capital SB, LLC, an investment firm founded in December 2015. Since April 2017, he has served as a managing director and co-portfolio manager of infrastructure investing at Oaktree Capital Management, an asset management firm specializing in alternative investment strategies. From October 2013 to July 2015, Mr. Connor served as a managing director and co-head of the industrials banking group at Barclays Capital Inc., an international investment bank. While at Barclays, Mr. Connor also served as global head of transportation banking from April 2011 to October 2013. Prior to joining Barclays, Mr. Connor was with Morgan Stanley, an international investment bank, for 15 years, where he served as co-head of the global transportation and infrastructure investment banking group. Mr. Connor has served on the board of Frontier Airlines since August 2015, on the board of managers of Watco Companies LLC since December 2018, on the board of U.S. Rail & Logistics since June 2021, and as chairman of the board of Neighborhood Property Group, LLC since November 2020. Mr. Connor holds a B.A. in Economics from Williams College.

Ms. Julianne Canavaggio was elected as an independent director of Copa Holdings in 2019. She is a Managing Director at Cuestamoras, a family office in Central America. Prior to joining Cuestamoras, Ms. Canavaggio served in various leadership positions at Lazard (NYSE:LAZ) a global financial advisor, including CEO of Latin America, Chief of Staff to the CEO of Financial Advisory, and Head of Central America and the Caribbean. Prior to joining Lazard, Julianne established a successful legal career in mergers and acquisitions across a variety of industries. Ms. Canavaggio currently serves on the board of directors of a real estate development conglomerate in Colombia, Panama and Mexico, a telecommunications company in Costa Rica, as well as independent and non-independent director positions in various privately held companies and investment vehicles. She also serves on the board of trustees of the Panamerican Development Foundation, a nonprofit organization established by the Organization of American States. Ms. Canavaggio holds a BA from Harvard University and a JD from Tulane University.

Mrs. Makelin Arias was elected as a director of Copa Holdings in 2022. She is the Executive Vice President of Human Resources and Corporate Services for Banco General, S.A., and its subsidiaries. She joined Banco General in 2007 after a merger with Banco Continental. Her current responsibilities include managing human capital, administration & real estate, coordinating the compliance of the Corporate Governance guidelines, and implementing the Corporate Social Responsibility strategy for the bank. Currently, her main focus is the constant strengthening of the organizational culture, professional and personal development of human capital, and assuring compliance with the corporate governance guidelines based on the values that are the backbone of the organization. Before joining the financial industry, Mrs. Arias worked for Copa Airlines for ten years, where she held the positions of Courier Services Manager, Purchasing Manager, and Director of Human Capital. During her tenure in the company, her main achievements included: participating in the definition of the company's Strategic Vision in 1994, being part of the Copa Airlines and Continental Airlines' integration team, implementing a model based on targeted objectives for evaluating management, and being responsible for maintaining healthy labor and union relations. Mrs. Arias holds a BA in Economics and Philosophy from Boston College.

Mr. Carlos Mario Giraldo was elected as an independent director of Copa Holdings in 2023. He is currently the CEO of Grupo Exito, the main retailer in Colombia and Uruguay, a position he has held for ten years. Previously, he worked at Nutresa Group for thirteen years, the main producer of processed food in Colombia, holding the position of President of Noel Biscuit Division. He serves as a board member of the National Association of Retailers in Colombia and the Consumer Goods Forum at the global level. Mr. Giraldo holds a law degree from the University of Medellin and an LLM from Tulane University.

The following table sets forth the name, age and position of each of our executive officers as of February 29, 2024. A brief biographical description of each of our executive officers follows the table.

Name	Position	Age
Pedro Heilbron	Chief Executive Officer and Director	65
José Montero	Chief Financial Officer	54
Daniel Gunn	Senior Vice-President of Operations	56
Dennis Cary	Senior Vice-President of Commercial and Planning	59
Peter Donkersloot	Vice-President of Human Resources	40
Julio Toro	Vice-President of Technology	50
Bolívar Domínguez	Vice-President of Flight Operations	48
Eduardo Lombana	Chief Executive Officer of AeroRepública, S.A. (Copa Airlines Colombia)	62
Rafael Samudio	Vice-President of Technical Operations	53
María Jaén	Vice-President of On Board Service	50
William Meehan	Vice-President of Airport	64

Mr. Pedro Heilbron has been our Chief Executive Officer since 1988. He received an MBA from George Washington University and a BA from College of the Holy Cross. Mr. Heilbron is the brother of Mr. Alvaro Heilbron, a member of our Board of Directors.

Mr. José Montero has been our Chief Financial Officer since March 2013. He started his career with Copa Airlines in 1993 and has held various technical, supervisory, and management positions including Manager of Flight Operations, Director of System Operations Control Center (SOCC), and, between 2004 and 2013, Director of Strategic Planning. He has a BS in Aeronautical Studies from Embry-Riddle Aeronautical University and an MBA from Cornell University. He serves as independent director of Latinex, Inc, the holding company of the Panama Stock Exchange, and is a member of IATA'S Financial Advisory Council.

Mr. Daniel Gunn has been our Senior Vice-President of Operations since February 2009. Prior to this Mr. Gunn had served as Vice-President of Commercial and Planning and Vice-President of Planning and Alliances. Prior to joining Copa in 1999, he spent five years with American Airlines holding positions in Finance, Real Estate and Alliances. Mr. Gunn received a BA in Business & Economics from Wheaton College and an MBA from the University of Southern California.

Mr. Dennis Cary has been our Senior Vice-President of Commercial and Planning since April 2015. Prior to joining Copa Airlines, Mr. Cary held Senior Vice-President position in various industries, including aviation. Mr. Cary served as Senior Vice-President, Chief Marketing and Customer Officer at United Airlines, and several other top management positions in United Airlines and American Airlines. Mr. Cary graduated from California State University, Northridge with a bachelor's degree in Computer Sciences and holds an MBA from Duke University.

Mr. Peter Donkersloot joined Copa Airlines in August 2019 and has served as Vice President of Human Resources since January 2020. Mr. Donkersloot has over seventeen years working experience holding key positions in five different countries (Jamaica, Panama, Peru, El Salvador and Guatemala). His experience ranges in Commercial Operations, Logistics, Risk Assessment, Strategic Planning and General Management. He holds a Global MBA from the Thunderbird School of Global Management along with professional qualifications in Industrial Engineering from the *Instituto Tecnológico y de Estudios Superiores de Monterrey* (ITESM).

Mr. Julio Toro has been our Vice-President of Technology since October 2015. He joined Copa in May 2011 as Director of the Project Management Office. Before joining Copa, he served as Operations Manager and Vice-President of Information Systems for Cable & Wireless Panama. He received a BS in Electrical Engineering from Texas A&M University, a Master in Renewable Energy from *Universidad Tecnológica*, and an MBA jointly issued by New York University Stern School of Business, London School of Economics and Political Science, and HEC Paris School of Management.

Captain Bolivar Dominguez G. has been our Vice President of Flight Operations since December 2017. He began his career with Copa Airlines in 2000 as a Copilot in the Boeing 737-200, and has held positions of increasing responsibility, such as Head of Training on the Embraer fleet, Director of our System Operations Control Center (SOCC), and System Chief Pilot. Bolivar was also a member of the IATA Safety, Flight and Ground Operations Advisory Council

(SFGOAC) from 2019 to 2023, responsible for advising the Board of Governors and the Director General of IATA on all matters connected with the improvement of safety and efficiency of civil air transport, ground operations and baggage. Bolivar holds an Airline Transport Pilot License, with Type Ratings on the Boeing 727, Embraer 190, and Boeing 737, and received a BS in Industrial Engineering from *Universidad Latina* in Panama, and an MBA from the University of Louisville.

Mr. Eduardo Lombana joined the Company in May 2005 as Chief Operating Officer and was appointed as Chief Executive Officer of Copa Colombia as of February 2012. He served three years at Avianca as Vice-President of Network, responsible for revenue management, network planning and revenue accounting during the company's bankruptcy turn over. Prior to that, he served as Vice-President of Flight Operations for ACES before it merged with Avianca. Mr. Lombana holds a BS in Aviation Technology and an AS in Aviation Maintenance Technology from Embry Riddle Aeronautical University.

Mr. Rafael Samudio has been our Vice President of Technical Operation since January 2022. He started his career with Copa Airlines in 1994 and has held various technical, supervisory, and management positions including, Director of Engineering & Maintenance Planning, and Senior Director of Procurement & Technical Contracts. He has a BS in Electromechanical Engineering from Technology University of Panama and an MBA from Latin American University of Science and Technology (ULACIT).

Mrs. María Alejandra Jaén has been our Vice-President of Inflight Services since January 2022. She joined Copa in November 2014 as Director of Inflight Training and Standards. Before joining Copa, she held several management positions in large multinational companies such as Dell and Citibank. Her previous experience included Operations, Customer Service, Project Management and Business Process Improvement, being a Certified Black Belt. She has a BS in Industrial Engineering from Universidad Tecnológica de Panamá, an MBA from Nova Southeastern University and an Executive Certification in Management and Leadership from MIT Sloan School of Management.

Mr. William Meehan has been our Vice President of Airports since September 2023. Prior to joining Copa Airlines, Mr. Meehan worked in the airline industry for 40 years, including at Frontier Airlines as Chief Operations Officer. Also, prior to Frontier Airlines, he served as Chief Operations Officer at Pemco World Air Service, a maintenance MRO servicing numerous airlines. Finally, prior to Pemco, he spent 28-years in numerous positions at Continental Airlines, starting as an aircraft technician and ending as the Senior Vice President of Airport Services. Mr. Meehan received a BA in Aviation Maintenance, Management and Engineering from Lewis University and is a FAA Certified Aircraft Maintenance Technician.

The business address for all of our senior management is c/o Copa Airlines, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre Panama City, Panama.

B. Compensation

In 2023, we paid an aggregate of approximately $5.0 million in cash compensation to our executive officers. In addition, members of committees of the Board of Directors receive additional compensation per committee meeting. All of the members of our Board of Directors and their spouses receive benefits to travel on Copa flights as well.

Incentive Compensation Program

In 2005, the Compensation Committee of our Board of Directors eliminated the then-existing Long-Term Retention Plan and approved a one-time non-vested stock bonus award program for certain executive officers or the "Stock Incentive Plan". Non-vested stock delivered under the Stock Incentive Plan may be sourced from treasury stock or authorized un-issued shares. In accordance with this program, the Compensation Committee of our Board of Directors had granted restricted stock awards to our senior management and to certain named executive officers and key employees. Normally, these shares vest over three to five years in yearly installments equal to one-third of the awarded stock on each anniversary of the grant date, 100% of the awarded stock at the third anniversary of the grant date or in yearly installments equal to 15% of the awarded stock on each of the first three anniversaries of the grant date, 25% on the fourth anniversary and 30% on the fifth anniversary. See note 25 – "Share-based payments" from our consolidated financial statements beginning on page F-1.

The following table shows shares granted:

	2023	2022	2021
Shares	42,010	35,305	137,799
Fair Value	$91.69	$71.59	$85.31
Contractual life	3 years	3 years	3 to 5 year

The Compensation Committee plans to make additional equity-based awards under the plan from time to time, including additional non-vested stock and stock option awards. While the Compensation Committee will retain discretion to vary the exact terms of future awards, we anticipate that future employee non-vested stock and stock option awards granted pursuant to the plan will generally vest over a three-year period and the stock options will carry a ten-year term.

The total compensation cost recognized for non-vested stock awards amounts to $4.4 million, $5.2 million, and $7.1 million in 2023, 2022, and 2021, respectively, and was recorded as a component of “Wages, salaries, benefits and other employees’ expenses” within operating expenses.

Please also see “Item 6D. Employees” for a description of the bonus plan implemented by the Company.

C. Board Practices

Our Board of Directors currently meets quarterly. Additionally, informal meetings with UAL are held on an ongoing basis and are supported by annual formal meetings of an “Alliance Steering Committee”, which directs and reports on the progress of the Copa and UAL Alliance. Our Board of Directors is focused on providing our overall strategic direction and as a result is responsible for establishing our general business policies and for appointing our executive officers and supervising their management.

Currently, our Board of Directors is comprised of eleven members. The number of directors elected each year varies. Pedro Heilbron, Alvaro Heilbron, Carlos A. Motta, John Gebo, Andrew Levy, Mrs. Julianne Canavaggio and Makelin Arias were each re-elected for two-year terms at our annual shareholders’ meeting held in 2022. Carlos Mario Giraldo was elected as independent director for two-year terms and Stanley Motta, José Castañeda, and John Connor were each re-elected as directors for two-year terms at our annual shareholders’ meeting held in 2023.

Pursuant to contractual arrangements with us and CIASA, UAL is entitled to designate one of our directors. Currently, John Gebo is the UAL-appointed director.

None of our Directors has entered into any service contract with the Company or its subsidiaries.

Committees of the Board of Directors

Audit Committee. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the integrity of financial reports and other financial information made available to the public or any regulator or governmental body;
- the effectiveness of our internal financial control and risk management systems, including cybersecurity and privacy risks and the Company’s procedures and policies for assessing and managing such risks;
- the effectiveness of our internal audit function, and the independent audit process including the appointment, retention, compensation, and supervision of the independent auditor; and
- the compliance with laws and regulations, as well as the policies and ethical codes established by management and the Board of Directors.

The Audit Committee is also responsible for implementing procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints regarding questionable accounting, ethical or auditing matters.

José Castañeda, Josh Connor, and Julianne Canavaggio are independent non-executive directors under the applicable rules of the New York Stock Exchange, are the current members of the committee. The Committee´s chairman is Josh Connor. All members are financially literate. Castañeda, Connor and Canavaggio have been determined to be financial experts by the Board of Directors.

Compensation Committee. Our Compensation Committee is responsible for the selection process of the Chief Executive Officer and the evaluation of all executive officers (including the CEO), recommending the level of compensation and any associated bonus. The charter of our Compensation Committee requires that all its members shall be non-executive directors, of which at least one member will be an independent director under the applicable rules of the New York Stock Exchange. Stanley Motta, José Castañeda and Makelin Arias are the members of our Compensation Committee, and Stanley Motta is the Chairman of the Compensation Committee.

Nominating and Governance Committee. Our Nominating and Governance Committee is responsible for developing and recommending criteria for selecting new directors, overseeing evaluations of the Board of Directors, its members and committees of the Board of Directors, environmental, social and governance matters and handling other issues that are specifically delegated to the Nominating and Governance Committee by the Board of Directors from time to time. Our charter documents require that there be at least one independent member of the Nominating and Governance Committee until the first shareholders' meeting to elect directors after such time as the Class A shares are entitled to full voting rights. Carlos Alberto Motta, Alvaro Heilbron, and José Castañeda are the members of our Nominating and Governance Committee, and Carlos Alberto Motta is the Chairman of the Nominating and Governance Committee.

Independent Directors Committee. Our Independent Directors Committee is created by our Articles of Incorporation and consists of any directors that the Board of Directors determines from time to time meet the independence requirements of the NYSE rules applicable to audit committee members of foreign private issuers. Our Articles of Incorporation provide that there will be no fewer than three independent directors at all times, subject to certain exceptions. Under our Articles of Incorporation, the Independent Directors Committee must approve:

- any transactions in excess of $5 million between us and our controlling shareholders;
- the designation of certain primary share issuances that will not be included in the calculation of the percentage ownership pertaining to the Class B shares for purposes of determining whether the Class A shares should be converted to voting shares under our Articles of Incorporation; and
- the issuance of additional Class B shares or Class C shares to ensure Copa Airlines' compliance with aviation laws and regulations.

The Independent Directors Committee shall also have any other powers expressly delegated by the Board of Directors. Under the Articles of Incorporation, these powers can only be changed by the Board of Directors acting as a whole upon the written recommendation of the Independent Directors Committee. The Independent Directors Committee will only meet regularly until the first shareholders' meeting at which the Class A shareholders will be entitled to vote for the election of directors and afterwards at any time that Class C shares are outstanding. All decisions of the Independent Directors Committee shall be made by a majority of the members of the committee. See "Item 10B. Memorandum and Articles of Association—Description of Capital Stock".

Mrs. Julianne Canavaggio, Messrs. José Castañeda, Josh Connor, and Carlos Mario Giraldo are independent non-executive directors under the applicable rules of the New York Stock Exchange, are the current members of the committee.

D. Employees

We believe that our growth potential and the achievement of our results-oriented corporate goals are directly linked to our ability to attract, motivate and maintain the best professionals available in the airline business. In order to help retain our employees, we encourage open communication channels between our employees and management. Our CEO meets quarterly with all of our Copa employees in Panama in town hall-style meetings during which he explains the Company's performance and encourages feedback from attendees. A similar presentation is made by our senior executives at each of our foreign stations. Our compensation strategy reinforces our determination to retain talented and highly motivated employees and is designed to align the interests of our employees with our shareholders through profit-sharing.

Approximately 85.6% of the Company's employees are located in Panama, while the remaining 14.4% are distributed among our foreign stations. Copa's employees can be categorized as follows:

	December 31,		
	2023	2022	2021
Pilots	1,422	1,230	1,040
Flight attendants	2,368	2,344	1,822
Mechanics	679	610	477
Customer service agents, reservation agents, ramp and others	1,011	1,022	913
Management and clerical	2,145	2,059	1,875
Total employees	7,625	7,265	6,127

Our profit-sharing program reflects our belief that our employees will remain dedicated to our success if they have a stake in that success. We identify key performance drivers within each employee's control as part of our annual objectives plan, or "Path to Success". Typically, we pay bonuses in the first quarter of the year based on our performance during the preceding calendar year. For members of management, 75% of the bonus amount is based on our performance as a whole and 25% is based on the achievement of individual goals. Bonuses for non-management employees are based on the Company's performance and payment is typically a multiple of the employee's weekly salary. The bonus payments are approved by our compensation committee. We typically make accruals each month for the expected annual bonuses, which are reconciled to actual payments at their dispersal within the first half of the following year.

We provide training for all of our employees, including technical training for our pilots, dispatchers, flight attendants and other technical staff. In addition, we provide recurrent customer service training to frontline staff, as well as leadership training for managers. We currently have three flight simulators at our training facility in Panama's City of Knowledge. In 2006, we leased a Level B flight simulator for Boeing 737-Next Generation training that served 80% of our initial training, transition and upgrade training, and 100% of our recurrent training needs relating to that aircraft. During 2007, we upgraded this simulator to Level C to provide 100% of our initial training. In 2011, Copa bought a second 737-Next Generation Full Flight Simulator, or "FFS", Level D. The Level D qualification is the highest certification provided by the Federal Aviation Administration (FAA) to any Flight Training Device. Another important acquisition in 2011 was the second B737 Virtual Procedure Trainer (VPT), which complements the new FFS training. In October 2012, the lease on our first B737 Next Generation simulator expired and we bought a new FFTX technology training device accompanied by a new Virtual Procedure Trainer (VPT). In 2015, Copa bought a new Boeing 737-800 Full Flight Simulator (FFS-X) compliant with regulatory Qualification Level D, and two new B737-800 Cockpit Procedure Trainers (CPTs) compliant with regulatory Qualification FTD Level 4 to provide 100% of our initial, recurrent, transition and upgrade training needs. We bought a new Boeing 737 MAX Full Flight Simulator compliant with regulatory qualification Level D to provide 100% of our training needs which is available for use since May of 2019, which underwent an important upgrade with the Boeing 737 MAX-9 data package software in November 2021 to resemble our fleet.

Approximately 64.2% of the Company's 7,625 employees are unionized. Our employees currently belong to nine union organizations; five covering employees in Panama and four covering employees in Colombia, in addition to union organizations in other countries to which we fly. Copa Airlines has traditionally had good relations with its employees and all the unions and expects to continue to enjoy good relations with its employees and the unions in the future.

The five unions covering employees in Panama include: the pilots' union (UNPAC), the flight attendants' union (SIPANAB), the mechanics' union (SITECMAP), the industry union (SIELAS), which represents ground personnel, messengers, drivers, passenger service agents, counter agents and other non-executive administrative staff, and other industry union named UGETRACAS which represents ground personnel and flight attendants.

We entered into collective bargaining agreements with the flight attendants' union in March 2023, the pilot's union in February 2023, the mechanics' union in May 2022 and the industry union in March 2022. Collective bargaining agreements in Panama typically have four-year terms.

The four unions covering employees in Colombia are: the pilots' union (ACDAC), the flight attendants' union (ACAV), the industry union in Colombia (SITRANAC) and the mechanics' union (ACMA).

We entered into collective bargaining with ACDAC and ACAV in January 2018. ACDAC has not yet resolved and intends to enter into a new collective bargaining in 2024. ACAV ended with a new arbitration collective document for two years that expired in September 2020. This arbitration was automatically extended until March 2024. Additionally, SINTRATAC and AeroRepública entered into collective bargaining agreement in September 2022 for terms of four years until August 2026. Negotiations with ACMA were resolved by arbitration on December 31, 2015, extending the validation every 6 months from this date, until June, 2024. ACMA has not presented a new bill of petition.

Typically, collective bargaining agreements in Colombia have terms of two to three years. Although AeroRepública usually settles many of its collective bargaining agreement negotiations through arbitration proceedings, it has traditionally experienced good relations with its unions.

In addition to the unions in Panama and Colombia, the Company's employees in Brazil are covered by industry union agreements that cover all airline industry employees in the country and airport employees in Argentina are affiliated with an industry union (UPADEP).

E. Share Ownership

The members of our Board of Directors and our executive officers as a group own less than one percent of our Class A shares. See "Item 7A. Major Shareholders".

For a description of stock options granted to our Board of Directors and our executive officers, see "—Compensation—Incentive Compensation Program".

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our Class A shares as of December 31, 2023 by each person known to us to beneficially own 5% or more of our common shares and all our directors and officers as a group.

Class A shares are limited voting shares entitled only to vote in certain specified circumstances. See "Item 10B. Additional Information – Memorandum and Articles of Association – Description of Capital Stock".

Class A Shares

Beneficially Owned

	Shares
CIASA[(2)]	115,000
Executive officers and directors as a group (21 persons)	214,872
Others	30,771,817
Total	**31,101,689**

(1) Based on a total of 31,101,689 Class A shares outstanding.

(2) CIASA owns 100% of the Class B shares of Copa Holdings representing 26.0% of our total capital stock.

In June 2006, Continental reduced its ownership of our total capital stock from 27.3% to 10.0%. In May 2008, Continental sold down its remaining shares in the public market.

CIASA currently owns 100% of the Class B shares of Copa Holdings, representing 100% of the voting power of our capital stock. CIASA is controlled by a group of Panamanian investors representing several prominent families in Panama. This group of investors has historically acted together in a variety of business activities both in Panama and elsewhere in Latin America, including banking, insurance, real estate, telecommunications, international trade and commerce and wholesale. Members of the Motta, Heilbron and Arias families, and their affiliated companies, including our Chief Executive Officer, Pedro Heilbron, and several of our directors beneficially own approximately 83.7% of CIASA's shares, as of January 31, 2024. Such individual shareholders of CIASA have entered into a shareholders' agreement that restricts transfers of CIASA shares to non-Panamanian nationals. Stanley Motta exercises effective control of CIASA.

In March 2010, CIASA converted a portion of its Class B shares into 1.6 million non-voting New York Stock Exchange-listed Class A shares and sold such Class A shares in an SEC-registered public offering. As a result, CIASA's ownership decreased from 29.2% to 25.1% of our capital stock. CIASA's current ownership is 26.0% of our capital stock. In the event CIASA seeks to reduce its ownership below 10% of our total share capital, our independent directors may decide to issue special voting shares solely to Panamanian nationals to maintain the ownership requirements mandated by the Panamanian Aviation Act.

The address of CIASA is Corporación de Inversiones Aéreas, S.A., c/o Copa Holdings, S.A., Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Oeste, Parque Lefevre, Panama City, Panama.

It is not practicable for us to determine the number of Class A shares beneficially owned in the United States. As of January 31, 2024, we had 159 registered record holders of our Class A shares.

B. Related Party Transactions

Registration Rights Agreement

Under the registration rights agreement, as amended by the supplemental agreement, CIASA continues to have the right to make one demand on us with respect to the registration and sale of our common stock held by them. The registration expenses incurred in connection with a demand registration requested after the date hereof, which expenses exclude underwriting discounts and commissions, will be paid ratably by each security holder participating in such offering in proportion to the number of their shares that are included in the offering.

Agreements with our controlling shareholders and their affiliates

Our directors and controlling shareholders have many other commercial interests within Panama and throughout Latin America. We have commercial relationships with several of these affiliated parties from which we purchase goods or services, as described below. In each case we believe our transactions with these affiliated parties are consistent with market rates and terms. We rely on information and other aviation technology systems to operate our businesses and any failure or disruption of these systems may have an impact on our operational and financial results.

Banco General, S.A.

We have a strong commercial banking relationship with Banco General, S.A., a Panamanian bank partially owned by our controlling shareholders. We maintain general lines of credit and time deposit accounts with Banco General. Interest received from Banco General amounted to $2.4 million, $0.8 million and $1.5 million in 2023, 2022, or 2021, respectively. There have not been any material interest payments for the last three years. There was no outstanding debt balance at December 31, 2023, 2022, or 2021.

Some members of the Company's Board of Directors are also board members of BG Financial Group, which is the controlling company of Banco General. Likewise, Banco General, S. A. owns ProFuturo Administradora de Fondos de Pensión y Cesantía S.A., which manages the Company's reserves for pension purposes.

ASSA Compañía de Seguros, S.A.

Panamanian law requires us to maintain our insurance policies through a local insurance company. We have contracted with ASSA, an insurance company that provide substantially all of the Company's insurance policies. While the Company's controlling shareholders do not hold a controlling equity interest in ASSA Compañía de Seguros, S. A., various members of the Company's Board of Directors are also board members of ASSA Compañía de Seguros, S. A. ASSA has, in turn, reinsured almost all of the risks under those policies with insurance companies around the world. The payments to ASSA totaled $12.1 million in 2023, $10.2 million in 2022 and $9.7 million in 2021.

Desarollo Inmobiliario del Este, S.A.

During January 2006, we moved into headquarters located six miles away from Tocumen International Airport. We lease four floors consisting of approximately 105,981 square feet of the building from Desarollo Inmobiliario Del Este, S.A., an entity controlled by the same group of investors that controls CIASA. Payments to Desarrollo Inmobiliario Del Este, S.A. totaled $3.6 million, $3.0 million and $3.4 million in 2023, 2022 and 2021, respectively.

Galindo, Arias & Lopez

Most of our legal work is carried out by the law firm Galindo, Arias & Lopez. Certain partners of Galindo, Arias & Lopez, are indirect shareholders of CIASA. Payments to Galindo, Arias & Lopez totaled $0.4 million, $0.5 million and $0.2 million in 2023, 2022 and 2021, respectively.

Panama Air Cargo Terminal

Provides cargo and courier services in Panama, an entity controlled by the same group of investors that controls CIASA. Payments to Panama Air Cargo Terminal totaled $3.9 million in 2023, $4.1 million in 2022 and $3.2 million in 2021.

GBM International, Inc.

Provides systems integration and computer services, as well as technical services and enterprise management. A member of the Company's Board of Directors is shareholder of GBM International, Inc. Payments to GBM International, Inc. totaled $0.1 million, $0.1 million and $0.1 million in 2023, 2022, 2021, respectively.

Other Transactions

We also purchase most of the alcohol and some of the other beverages served on our aircraft from Motta Internacional, S.A. and Global Brands, S.A., both of which are controlled by our controlling shareholders. We do not have any formal contracts for these purchases but pay wholesale prices based on price lists periodically submitted by those importers and comparisons to other options in the marketplace. We paid these entities approximately $1.1 million in 2023, $0.9 million in 2022 and $0.1 million in 2021.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See "Item 3A. Key Information—Selected Financial Data" and "Item 18. Financial Statements."

Legal Proceedings

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to the operation of our business. While legal proceedings are inherently uncertain, we believe that the outcome of the proceedings to which we are currently a party is not likely to have a material adverse effect on our financial position, results of operations and cash flows.

Dividends and Dividend Policy

The payment of dividends on our shares is subject to the discretion of our Board of Directors. Under Panamanian law, we may pay dividends only out of retained earnings and capital surplus. So long as we do not default on our payments under our loan agreements, there are no covenants or other restrictions on our ability to declare and pay dividends. Our Articles of Incorporation provide that all dividends declared by our Board of Directors will be paid equally with respect to all of the Class A and Class B shares. See "Item 10B. Additional Information—Memorandum and Articles of Association—Description of Capital Stock—Dividends".

In February 2016, the Board of Directors approved a change to the dividend policy to limit aggregate annual dividends to an amount equal to 40% of the prior year's annual consolidated adjusted net income, to be distributed in equal quarterly installments subject to board ratification each quarter. Our Board of Directors may, in its sole discretion and for any reason, amend or discontinue the dividend policy. Our Board of Directors may change the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our common stock, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our Board of Directors may deem relevant.

During the first quarter of 2020, the Company paid dividends in the amount of $0.80 per share. Given the uncertainty related to the COVID-19 pandemic, including the effect on future air travel demand, on April 26, 2020 the Board of Directors postponed dividend payments for the remaining quarters of 2020, until December 31, 2022.

On February 7, 2024, the Board of Directors of Copa Holdings approved a 2024 dividend of $1.61 cents per share per quarter, corresponding to 40% of the adjusted consolidated net income of 2023. Proposed dividends are subject to board ratification each quarter, and are not recognized as a liability as at December 31, 2023.

Dividend for Fiscal Year:	Payment Date		Total Dividend Payment (U.S. Dollars)	Cash Dividend per Share
2023	December 14, 2023	$	35 million	0.82
2023	October 13, 2023	$	35 million	0.82
2023	June 15, 2023	$	32 million	0.82
2023	April 20, 2023	$	32 million	0.82
2020	March 13, 2020	$	34 million	0.80
2019	December 13, 2019	$	28 million	0.65
2019	September 13, 2019	$	28 million	0.65
2019	June 14, 2019	$	28 million	0.65
2019	March 15, 2019	$	28 million	0.65
2018	December 14, 2018	$	37 million	0.87
2018	September 14, 2018	$	37 million	0.87
2018	June 15, 2018	$	37 million	0.87
2018	March 15, 2018	$	37 million	0.87
2017	December 15, 2017	$	32 million	0.75
2017	September 12, 2017	$	32 million	0.75
2017	June 15, 2017	$	22 million	0.51
2017	March 13, 2017	$	22 million	0.51
2016	December 15, 2016	$	22 million	0.51
2016	September 13, 2016	$	22 million	0.51
2016	June 16, 2016	$	21 million	0.51
2016	March 16, 2016	$	21 million	0.51

B. Significant Changes

None.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our Class A shares have been listed on the New York Stock Exchange, or NYSE, under the symbol “CPA” since December 14, 2005.

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A shares have been listed on the NYSE under the symbol “CPA” since December 14, 2005. Our Class B shares are not listed on any exchange and are not publicly traded. We are subject to the NYSE corporate governance listing standards. The NYSE requires that corporations with shares listed on the exchange comply with certain corporate governance standards. As a foreign private issuer, we are only required to comply with certain NYSE rules relating to audit committees and periodic certifications to the NYSE. The NYSE also requires that we provide a summary of the significant differences between our corporate governance practices and those that would apply to a U.S. domestic issuer. Please refer to "Item 16 G. Corporate Governance" for a summary of the significant differences between our corporate governance practices and those that would typically apply to a U.S. domestic issuer under the NYSE corporate governance rules.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Copa Holdings was formed on May 6, 1998 as a corporation (*sociedad anónima*) duly incorporated under the laws of Panama with an indefinite duration. The Registrant is registered under Public Document No. 3.989 of May 5, 1998 of the Notary Number Eight of the Circuit of Panama and recorded in the Public Registry Office, Microfilm (Mercantile) Section, Microjacket 344962, Film Roll 59672, Frame 0023.

Objects and Purposes

Copa Holdings is principally engaged in the investment in airlines and aviation-related companies and ventures, although our Articles of Incorporation grant us general powers to engage in any other lawful business, whether or not related to any of the specific purposes set forth in the Articles of Incorporation (See Article 2 of the Company's Articles of Incorporation).

Common Stock

Our authorized capital stock consists of 80 million shares of common stock without par value, divided into Class A shares, Class B shares and Class C shares. As of December 31, 2023, we had 34,110,338 Class A shares issued and 31,101,689 Class A shares outstanding; 10,938,125 Class B shares issued and outstanding, and no Class C shares outstanding. Class A and Class B shares have the same economic rights and privileges, including the right to receive dividends, except as described in this section.

For a description of our common stock, see Exhibit 2.1 to this annual report.

C. Material Contracts

Engine Services Agreements between GE Engine Services, LLC and Copa Holdings, S.A.

Regarding engine maintenance, Copa currently has two Rate per Engine Flight Hour Services Agreements and one "Time and Material" Service Agreement with GE Engine Services, LLC, ("GE") pursuant to which GE shall be the exclusive provider of maintenance, repair and overhaul services to our CFM-56 and CFM LEAP 1-B aircraft engines. Under the Rate per Engine Flight Hour Service Agreements, the maintenance services are performed at a certain rate per engine flight hour incurred by our engines. These rates were set based on our predicted operating parameters and will be adjusted in case of variation of those parameters. Unless terminated, the agreement with respect to the CFM-56 engines will continue through September 30, 2028, while the agreement with respect to the LEAP-1B engines will be valid for at least 12 years for each individual engine and terminates once each engine has gone through two performance restoration shop visits. Under the aforementioned "Time and Material" Service Agreement, GE will perform maintenance services on 60 CFM56 engines of our fleet until the agreement expires on October 15, 2027. The services consist of defined scopes of work, each with a set maximum cost and specific repair services included. Pursuant to all of these agreements, either party may terminate the agreement in the event of insolvency of the other party or upon a material breach by the other party which remains uncured. Any material breach of this agreement by us could, at the option of GE, trigger a cross-default of all our other contracts. GE may also terminate this agreement if the number of engines covered decreases below the prescribed minimum. Upon early termination of the agreement for any reason, we shall pay GE for all services or work performed up to the time of such termination by means of reconciliation.

MAX Aircraft purchase Agreement between the Boeing Company and Copa Airlines.

In April 2015, Copa finalized negotiations with the Boeing Company for the purchase of 737 MAX airplanes. These negotiations started in 2013, and the agreement has been amended several times since then, most recently in January 2024.

D. Exchange Controls

There are currently no Panamanian restrictions on the export or import of capital, including foreign exchange controls, and no restrictions on the payment of dividends or interest, nor are there limitations on the rights.

E. Taxation

United States

The following summary describes the material United States federal income tax consequences of the ownership and disposition of our Class A shares as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below) that beneficially own our Class A shares as capital assets for United States federal income tax purposes (generally, property held for investment). This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a bank;
- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our Class A shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns 10% or more of our stock (by vote or value);
- a partnership or other pass-through entity (or investor therein) for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below.

If you are considering the purchase, ownership or disposition of our Class A shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under state or local law or under the laws of any other taxing jurisdiction.

As used herein, "United States Holder" means a beneficial owner of our Class A shares that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds our Class A shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. An investor who is a partner of a partnership holding our Class A shares should consult its own tax advisor.

Taxation of Dividends

Distributions on the Class A shares (including amounts withheld to reflect Panamanian withholding taxes, if any) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as foreign-source ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations. Because we do not intend to keep earnings and profits in accordance with United States federal income tax principles, you should expect that distributions on the Class A shares will generally be treated as dividends.

With respect to non-corporate United States Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation generally is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our Class A shares, which are listed on the NYSE, are currently readily tradable on an established securities market in the United States. There can be no assurance, however, that our Class A shares will be considered readily tradable on an established securities market at a later date. Non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules to your particular circumstances.

Subject to certain conditions and limitations, Panamanian withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the Class A shares generally will be treated as income from sources outside the United States and will generally constitute passive income. Further, in certain circumstances, if you:

- have held Class A shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make related to the payments with respect to positions in substantially similar or related property,

You will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the Class A shares, if any. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Passive Foreign Investment Company

We do not believe that we were a passive foreign investment company (a "PFIC") for United States federal income tax purposes for 2023, and we expect to operate in such a manner so as not to become a PFIC in 2024 or the foreseeable future. However, the determination whether we are a PFIC must be made annually based on the facts and circumstances at that time, some of which may be beyond our control, such as our market capitalization and the valuation of our assets, including goodwill and other intangible assets, and the nature and sources of our income. If, contrary to our expectations, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the Class A shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Further, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or the preceding taxable year.

Taxation of Disposition of Shares

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of a Class A share in an amount equal to the difference between the amount realized for the Class A share and your tax basis in the Class A share. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our Class A shares and the proceeds from the sale, exchange or redemption of our Class A shares that are paid to you within the United States (and in certain cases, outside the United States), unless you establish that you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments unless you provide an accurate taxpayer identification number and make any other required certification or otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Panama

The following is a discussion of the material Panamanian tax considerations to holders of Class A shares under Panamanian tax law and is based upon the tax laws and regulations in force and effect as of the date hereof, which may be subject to change. This discussion, to the extent it states matters of Panamanian tax law or legal conclusions and subject to the qualifications herein, represents the opinion of Galindo, Arias & Lopez, our Panamanian counsel.

Taxation of Dividends

Dividends paid by a corporation duly licensed to do business in Panama, whether in the form of cash, stock or other property, are subject to a 10% withholding tax on the portion attributable to Panamanian sourced income, and a 5% withholding tax on the portion attributable to foreign sourced income. Dividends paid by a holding company which correspond to dividends received from its subsidiaries for which the dividend tax was previously paid, are not subject to any further withholding tax under Panamanian law.

Therefore, distributions on the Class A shares would not be subject to withholding tax to the extent that said distributions are attributable to dividends received from any of our subsidiaries for which the dividend tax was previously paid.

Taxation of Capital Gains

As long as the Class A shares are registered with the SMV and are sold through an organized market, Panamanian taxes on capital gains will not apply either to Panamanians or other countries' nationals. We have registered the Class A shares, with both the NYSE and the SMV.

Other Panamanian Taxes

There are no estate, gift or other taxes imposed by the Panamanian government that would affect a holder of the Class A shares, whether such holder were Panamanian or a national of another country.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, we are required to file reports and other information with the Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the Public Reference Room of the Commission at 100 F Street, N.W., Washington D.C. 20549, and copies of the materials may be obtained there at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains a website at www.sec.gov, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. In 2016, the SEC approved a new rule and the NYSE published a new requirement for foreign private issuers to submit interim financials as of the end of and for the first two quarters of its fiscal year if they do not already furnish interim financials at least semi-annually. This new requirement will not affect us because we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We furnish such quarterly reports with the SEC within two months of each quarter of our fiscal year, and we file annual reports on Form 20-F within the time period required by the SEC, which is currently four months from December 31, the end of our fiscal year.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

The risks inherent in our business are the potential losses arising from adverse changes to the price of fuel, interest rates and the U.S. dollar exchange rate. Please also refer to note 28 of our financial statements.

Aircraft Fuel. Our results of operations are affected by changes in the price and availability of aircraft fuel. The Company has not entered into new fuel hedge contracts and has adopted a strategy of remaining unhedged, while regularly reviewing its policies based on market conditions and other factors. As of December 31, 2023, the Company did not have any outstanding fuel hedge contracts. Fuel price risk is estimated as a hypothetical 10% increase in the December 31, 2023 cost per gallon of fuel. Based on projected 2024 fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately $89.1 million in 2024. There are no hedged contracts for 2023. Additionally, global geopolitical events, such as the conflict between Russia and Ukraine beginning in February 2022, have led to an increase in fuel costs which negatively impact our business operations. Due to the evolving nature of such events, we are unable to predict the extent of the impact on our business.

Interest. Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and operating leases and on interest income generated from our cash and investment balances. If the interest rate average is 100 basis points more in 2024 than in 2023, the variable-rate debt interest expense would increase by approximately $4.2 million and the estimated fair value of the fixed-rate debt would increase by approximately $16.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the variable-rate debt and marketable securities equivalent balances at December 31, 2023.

Foreign Currencies. The majority of our obligations are denominated in U.S. dollars. Since Panama uses the U.S. dollar as legal tender, the majority of our operating expenses are also denominated in U.S. dollars, approximately 64.3% of revenues and 79.2% of expenses are in U.S. dollars. A significant part of our revenue is denominated in foreign currencies, including the Colombian peso, Brazilian real, Argentinian peso, and Mexican peso, which represented 10.0%, 7.7%, 5.1% and 3.5% of our revenue in 2023, respectively.

On January 1, 2015, given the change in its business strategy focused on international markets, AeroRepública concluded that the most appropriate functional currency of the Company would be U.S. dollars. This reflects the fact that the majority of the airline's business is influenced by pricing in international markets, with a dollar economic environment. In the same way, the major operating expenses such as fuel, leasing, airport services and sales commissions are dollarized. Until December 31, 2014, the previous functional currency of the Company was the Colombian peso.

The following chart summarizes the Company's exchange risk exposure (assets and liabilities denominated in foreign currency) at December 31, 2023 and 2022:

	2023	2022
Assets		
Cash and cash equivalents	$ 15,858	$ 13,546
Accounts receivable, net	108,767	48,900
Other assets	25,707	20,605
Total assets	$ 150,332	$ 83,051
Liabilities		
Accounts payable	53,393	16,969
Taxes payable	38,157	38,303
Other liabilities	16,543	13,465
Total liabilities	$ 108,093	$ 68,737
Net position	$ 42,239	$ 14,314

Item 12. Description of Securities Other than Equity Securities

Not applicable.

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American depositary shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

A. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We carried out an evaluation under the supervision of our Management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

B. Management's Annual Report on Internal Control over Financial Reporting

The management of Copa Holdings, S.A. or the "Company", is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013).

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Based on this assessment, management believes that, as of December 31, 2023, the Company's internal control over financial reporting is effective based on those criteria.

C. Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal controls over financial reporting as of December 31, 2023 has been audited by Ernst & Young, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's attestation report of the effectiveness of the Company's internal control over financial reporting is included herein.

D. Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Copa Holdings, S.A. and subsidiaries

Opinion on Internal Control Over Financial Reporting

We have audited Copa Holdings, S.A. and subsidiaries internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Copa Holdings, S.A. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Company, and our report dated April 29, 2024, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Limited Corp.
A member practice of Ernst & Young Global Limited

/s/ Ernst & Young Limited Corp.

Panama City, Republic of Panama
April 29, 2024

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Messrs. Jose Castañeda, Josh Connor and Mrs. Julianne Canavaggio qualify as an “audit committee financial experts” as defined by current SEC rules and meet the independence requirements of the SEC and the NYSE listing standards. For a discussion of the role of our audit committee, see “Item 6C. Board Practices—Audit Committee”.

Item 16B. Code of Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to our directors, officers, employees and consultants. The Code of Business Conduct and Ethics can be found at www.copaair.com under the heading “Investor Relations—Corporate Governance”. Information found on this website is not incorporated by reference into this document.

Item 16C. Principal Accountant Fees and Services

The following table sets forth by category of service the total fees for services performed by our independent registered public accounting firm Ernst & Young Limited Corp (PCAOB ID No. 1415) and its affiliates during the fiscal years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Audit Fees	$ 913,853	$ 948,700	$ 695,934
Audit-Related Fees	—	—	—
Tax Fees	—	—	—
All Other Fees	$ —	$ —	$ —
Total	**$ 913,853**	**$ 948,700**	**$ 695,934**

Audit Fees

Audit fees for 2023, 2022 and 2021 included the audit of our annual financial statements and internal controls.

Audit-Related Fees

There were no audit-related fees for 2023, 2022 or 2021.

Tax Fees

There were no tax fees for 2023, 2022 or 2021.

All Other Fees

Other fees for 2023 and 2022 include amounts paid for permitted consulting services performed by Ernst & Young and pre-approved by our audit committee.

Pre-Approval Policies and Procedures

Our audit committee approves all audit, audit-related, tax and other services provided by Ernst & Young. Any services provided by Ernst & Young that are not specifically included within the scope of the audit must be pre-approved by the audit committee in advance of any engagement. Pursuant to Rule 201 of Regulation S-X, audit committees are permitted to approve certain fees for audit-related services, tax services and other services pursuant to a de minimis exception prior to the completion of an audit engagement. In 2023, none of the fees paid to Ernst & Young were approved pursuant to the de minimis exception.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

In November, 2014, the Board of Directors of the Company approved a $250.0 million share repurchase program. Subsequently, during the second quarter of 2022, the Board approved the expansion of the current shares repurchase program by $200.0 million.

In October 2023, the Company completed its previously disclosed Share Repurchase Program and on November 15, 2023, the Board of Directors of the Company approved a new $200.0 million Share Repurchase Program.

Purchases can be made from time to time, subject to market and economic conditions, applicable legal requirements, and other relevant factors.

The following table provides a summary for the Company’s share repurchase program as of December 31, 2023:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum num shares that may be purchased u the progra
Program 2014				
December 2014	182,592	$ 101.84	182,592	2,27
January 2015	139,196	$ 104.13	321,788	2,08
February 2015	28,454	$ 109.65	350,242	1,95
ASR 2015				
September 2015	500,000		850,242	
December 2015	1,460,250		2,310,492	
Program 2021				
July 2021	1,474	$ 64.88	2,311,966	1,37
November 2021	54,998	$ 70.68	2,366,964	1,32
December 2021	502,553	$ 72.67	2,869,517	88
Program 2022				
March 2022	401,950	$ 70.09	3,271,467	2,94
May 2022	651,992	$ 69.87	3,923,459	2,39
June 2022	1,224,868	$ 61.73	5,148,327	1,48
July 2022	279,007	$ 62.26	5,427,334	1,27
September 2022	14,100	$ 65.99	5,441,434	1,26
Program 2023				
March 2023	141,714	$ 88.53	5,583,148	2,75
June 2023	26,800	$ 108.72	5,609,948	2,72
August 2023	422,062	$ 97.60	6,032,010	2,34
September 2023	495,027	$ 89.95	6,527,037	1,92
October 2023	55,713	$ 85.28	6,582,750	1,87
Total	**6,582,750**			

(1) Calculated based on the last share price for the end of the year

As of December 31, 2023, the Company had $199.5 million remaining to purchase shares under its share repurchase program.

Item 16F. Changes in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Companies that are registered in Panama are required to disclose whether or not they comply with certain corporate governance guidelines and principles that are recommended by the Superintendence of the Securities Market (*Superintendencia del Mercado de Valores, or SMV*). Statements below referring to Panamanian governance standards reflect these voluntary guidelines set by the SMV rather than legal requirements or standard national practices. Our Class A shares are registered with the SMV, and we comply with the SMV's disclosure requirements.

NYSE Standards	Our Corporate Governance Practice
Director Independence. Majority of board of directors must be independent. §303A.01	Panamanian corporate governance standards recommend that one in every five directors should be an independent director. The criteria for determining independence under the Panamanian corporate governance standards differs from the NYSE rules. In Panama, a director would be considered independent as long as the director does not directly or indirectly own 5% or more of the issued and outstanding voting shares of the Company, is not involved in the daily management of the Company and is not a spouse or related to the second degree by blood or marriage to the persons named above. Our Articles of Incorporation require us to have three independent directors as defined under the NYSE rules.
Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03	There are no mandatory requirements under Panamanian law that a company should hold, and we currently do not hold, such executive sessions.
Nominating/Corporate Governance Committee. Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04	Panamanian corporate governance standards recommend that registered companies have a nominating committee composed of three members of the board of directors, at least one of which should be an independent director, plus the chief executive officer and the chief financial officer. In Panama, the majority of public corporations do not have a nominating or corporate governance committee. Our Articles of Incorporation require that we maintain a Nominating and Corporate Governance Committee with at least one independent director until the first shareholders' meeting to elect directors after such time as the Class A shares are entitled to full voting rights.
Compensation Committee. Compensation committee of independent directors is required, which must approve or make a recommendation to the board regarding executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05	Panamanian corporate governance standards recommend that the compensation of executives and directors be overseen by the nominating committee but do not otherwise address the need for a compensation committee. While we maintain a compensation committee that operates under a charter as described by the NYSE governance standards, currently only one of the members of that committee is independent.
Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions.	Under Panamanian law, shareholder approval is not required for equity compensation plans.

Code of Ethics. Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver fordirectors or executive officers. §303A.10	Panamanian corporate governance standards do not require the adoption of specific guidelines as contemplated by the NYSE standards, although they do require that companies disclose differences between their practices and a list of specified practices recommended by the SMV. We have not adopted a set of corporate governance guidelines as contemplated by the NYSE, although we will be required to comply with the disclosure requirement of the SMV. Panamanian corporate governance standards recommend that registered companies adopt a code of ethics covering such topics as its ethical and moral principles, how to address conflicts of interest, the appropriate use of resources, obligations to inform of acts of corruption and mechanism to enforce the compliance with established rules of conduct.

Item 16H. Mine Safety Disclosure

None.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Item 16J. Insider Trading Policies

None.

Item 16K. Cybersecurity

We recognize the critical importance of maintaining trust and safeguarding personal information. To achieve this, we have a cybersecurity governance framework in place, designed to protect information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction. Our program is based on industry best practices, continuous benchmarking, and advanced security technology. It is managed by an experienced team of experts who receive regular training. Our cybersecurity program consists of controls designed to identify, protect against, detect, respond to, and recover from information and cybersecurity incidents.

We have a cybersecurity and information security framework that includes risk assessment and mitigation through a threat intelligence-driven approach, application controls, and enhanced security with ransomware defense. The framework leverages International Organization for Standardization (ISO) 27001 standards for general information technology controls, the National Institute of Standards and Technology (NIST) Cyber Security Framework for measuring overall readiness to respond to cyber threats, and Sarbanes-Oxley (SOX) for the assessment of internal controls.

We utilize policies, software, training programs, and hardware solutions that are designed to protect and monitor our environment, including multi-factor authentication on all critical systems, firewalls, intrusion detection and prevention systems, vulnerability and penetration testing, and identity management systems.

Our Information Security team conducts regular information security awareness training for all employees involved in our systems and processes that handle customer data and audits of our systems and enhanced training for specialized personnel. We conduct semi-annual cyber awareness training and tabletop exercises to simulate incidents and practice responses. We use the findings to improve our practices and technologies.

Our corporate IT Security and Risk organization, led by our Chief Information Security Officer (CISO), maintains an incident response plan, which outlines risk mitigation steps such as identification, triage, containment, eradication, recovery, and lessons learned and provides a framework for handling cybersecurity incidents based on the severity of the incident and facilitates cross-functional coordination across our business, and has established an enterprise Security Operations Center to identify cyber incidents in real time and activate an immediate response.

We regularly conduct risk assessments to identify threats and vulnerabilities. We then use a qualitative methodology to evaluate the likelihood and impact of each risk. We identify risks from various sources, including vulnerability scans, penetration tests, vendors' risk assessments, product and services audits, internal compliance assessments, and threat-hunting operations. We actively monitor our infrastructure and applications to identify evolving cyber threats, scan for vulnerabilities, and mitigate risks.

The office of the CISO participates in several cybersecurity information industry groups with third parties to share and gather intelligence, benchmark best practices, and discuss emerging issues. These groups include the Aviation ISAC (Information Sharing and Analysis Center), the Star Alliance cybersecurity group, and the IATA cybersecurity group.

We share threat intelligence and collaborate with organizations in various industries to share best practices, fight cybercrime, enhance privacy, discuss new technologies, understand regulatory changes, and advance our capabilities.

We regularly schedule third-party vulnerability detection and testing for our IT infrastructure. We engage an independent security company to conduct monthly, annual, and on-demand tests for cyber vulnerabilities.

Our Chief Information Officer and Chief Information Security Officer oversee our dedicated technology risk management and privacy teams, which work in partnership with our internal audit department to review information about technology-related internal controls with our independent external auditors as part of the overall internal controls process.

We conduct cybersecurity "tabletop" exercises with respect to breach and other problematic information security scenarios. The facilitator poses questions to participants and advises how other companies typically respond to similar situations. Participants include key leaders and stakeholders from the Company, including Finance, Flight Operations, Airports, IT, and others.

Our cybersecurity risk management program includes due diligence of third-party vendors' information security programs.

With a bi-monthly cadence, the corporate IT Security and Risk organization presents the state of cybersecurity risk and compliance to the corporate Chief Information Officer (CIO) and top IT management. Compliance with regulatory agencies and with internal policies and processes is included. This meeting is tracked as an IT governance control.

With a bi-weekly cadence, the office of the CISO sends a status report to the CIO, which is presented in the corporate bi-weekly Executive Committee meeting that includes the CEO, CFO, COO, CCO (Chief Commercial Officer), Chief Legal Officer, and other executive officers.

With a quarterly cadence, the CISO leads the Information Security Oversight Committee to discuss the progress and status of the corporate information security program. This meeting includes the Chief Legal Officer and Internal Audit.

With a quarterly cadence, the CIO and the CISO prepare a cybersecurity status report to the Board of Directors and to the Audit Committee of the Board of Directors. The CIO and CISO present any relevant issues to the Committee and answer questions. The Audit Committee's primary function is to assist and advise the Board of Directors in fulfilling its oversight responsibilities by reviewing the effectiveness of our internal financial control and risk management systems, including cybersecurity and privacy risks and our procedures and policies for assessing and managing such risks. The Audit Committee reports on their interaction with management, their assessment of risk and provides any recommendation related to risk prevention and mitigation.

Finally, our Corporate Business Continuity Plan is activated in the event of a cyber incident that significantly impacts our operations. This Business Continuity Plan involves the activation of several crisis committees and includes the participation of our CEO. We have cybersecurity insurance and regularly review our policy and levels of coverage based on current risks.

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements"

Item 18. Financial Statements

See our consolidated financial statements beginning on page F-1.

Item 19. Exhibits

2.1 (2019)	Description of the registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
3.1**	English translation of the Amended Articles of Incorporation (Pacto Social) of the Registrant
4.1 (2008)	Supplemental Agreement dated as of May 13, 2008 by and among Copa Holdings, S.A. Corporation de Inversiones Aereas, S.A. and Continental Airlines, Inc.
4.2†	Aircraft Lease Agreement, dated as of March 4, 2004, between International Lease Finance corporation and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 or 800 Aircraft, Serial No. 32800
4.3**	Aircraft General Terms Agreement, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A.
4.4†	Maintenance Cost per Hour Engine Service Agreement, dated March 5, 2003, between G.E. Engine Services, Inc. and Copa Holdings, S.A.
4.5†	Form of Amended and Restated Alliance Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
4.6**	Form of Amended and Restated Services Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
4.7**	Form of Second Amended and Restated Shareholders' Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
4.8**	Form of Guaranteed Loan Agreement
4.9**	Form of Amended and Restated Registration Rights Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
4.10**	Form of Copa Holdings, S.A. 2005 Stock Incentive Plan
4.11**	Form of Copa Holdings, S.A. Restricted Stock Award Agreement
4.12*	Form of Indemnification Agreement with the Registrant's directors
4.13**	Form of Amended and Restated Trademark License Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
4.14†	Supplemental Agreement No. 11 dated as of August 30, 2006 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.15†	Supplemental Agreement No. 12 dated as of February 26, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.16†	Supplemental Agreement No. 13 dated as of April 23, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.17†	Supplemental Agreement No. 14 dated as of August 31, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.18†	Supplemental Agreement No. 15 dated as of February 21, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.19†	Supplemental Agreement No. 16 dated as of June 30, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
4.20†	Supplemental Agreement No. 17 dated as of December 15, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.

4.21†	Supplemental Agreement No. 18 dated as of July 15, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.22†	Supplemental Agreement No. 19 dated as of August 31, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.23†	Supplemental Agreement No. 20 dated as of November 19, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.24†	Supplemental Agreement No. 21 dated as of May 28, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.25†	Supplemental Agreement No. 22 dated as of September 24, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.26†	Supplemental Agreement No. 23 dated as of October, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A
4.27†	On Pointsm Solutions Rate per Engine Flight Hour Service Agreement dated as of April 15, 2012 between GE Engine Services, LLC., Compañía Panameña de Aviación, S.A., and Lease Management Services, LLC.
4.28†	Purchase Agreement No. PA-03774 dated June 27, 2012 between The Boeing Company and Copa Holdings S.A. relating to Boeing Model 737 MAX Aircraft.
8.1	Subsidiaries of the Registrant
12.1	Certification of the Chief Executive Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
12.2	Certification of the Chief Financial Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
13.1	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Policy for Recovery of Erroneously Awarded Compensation
101. INS	XBRL Instance Document.
101. SCH	XBRL Taxonomy Extension Schema Document.
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101. LAB	XBRL Taxonomy Extension Label Linkbase Document.
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101. DEF	XBRL Taxonomy Extension Definition Document.

* Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-1, filed June 15, 2006, File No. 333-135031.

** Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-1, filed November 28, 2005, as amended on December 1, 2005 and December 13, 2005, File No. 333-129967.

2008 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed May 6, 2009, File No. 001-09801609.

2019 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed April 8, 2020, File No. 001- 32696.

† Certain information from this exhibit has been excluded from this exhibit because it is both not material and is the type the registrant treats as private or confidential.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COPA HOLDINGS, S.A.

By: /s/ Pedro Heilbron
Name: Pedro Heilbron
Title: Chief Executive Officer

By: /s/ Jose Montero
Name: Jose Montero
Title: Chief Financial Officer

Dated: April 29, 2024

Consolidated Financial Statements

Copa Holdings, S. A. and Subsidiaries

Year ended December 31, 2023
with Report of the Independent Registered Public Accounting Firm

COPA HOLDINGS, S. A. AND SUBSIDIARIES

Contents

COPA HOLDINGS, S. A. AND SUBSIDIARIES

Contents

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Copa Holdings, S.A., and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Copa Holdings, S.A. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 29, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Provision for Return Conditions

Description of the Matter

As described in Note 3, 4 and 21 to the consolidated financial statements, the Company records a provision in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to accrue for the expected cost that will be incurred to return aircraft to their lessors in an agreed-upon condition. These payments are generally owed at the end of the lease term and represent a restoration obligation incurred over the lease term as the aircraft and engines are utilized. The provision is based on the net present value of the estimated costs of returning the aircraft and is accrued during the term of the lease. These costs are reviewed annually and adjusted as appropriate. Changes in estimates between the provision balance and the expected costs are adjusted prospectively with any final difference recorded in the period when the aircraft is returned. As of December 31, 2023, the Company's provision for return conditions totaled $192 million.

Auditing this provision was complex due to subjectivity of the required assumptions applied in the model used by the Company, including estimates of future maintenance costs, leases extension, determination of an appropriate discount rate and operational estimates of aircraft utilization.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's return condition estimation process. We tested controls over management's review of the expected return cost, leases extension, expected aircraft utilization and discount rate calculation.

Our audit procedures included, among others, evaluating the methodology and the significant assumptions used and the review of the completeness and accuracy of the lease contract population and underlying data used by the Company to calculate the return cost. We tested the inputs used in the calculation, discount rate, specified returns conditions requirements and the actual utilization reports from the Company's aircraft maintenance records. We involved a valuation specialist to assist in the review of the discount rate.

We evaluated the change in the provision for return conditions from prior years in relation to changes in return costs and discount rates. In addition, we independently recalculated the discount rate as of December 31, 2023, and we compared our results with the Company's calculations.

Frequent Flyer Deferred Revenue – Mileage Breakage

Description of the Matter

The Company's frequent flyer deferred revenue totaled $125 million as of December 31, 2023. As described in Note 3, 4 and 7 to the consolidated financial statements, members of the Company's ConnectMiles program earn miles through the Company's flights, Star Alliance partners and by purchasing the goods and services of the Company's network of non-airline partners and co-branded credit cards. The miles or points earned can be exchanged for flights on Copa or any other Star Alliance partner airlines. In determining the value of mileage credits earned, the Company applies an estimate of mileage credits earned that are not expected to be redeemed ("breakage") prior to their expiration.

To estimate breakage the Company uses a statistical model that incorporates internal historical redemption data to determine the redemptions behavior. However, considering Copa's frequent flyer program was established in 2015, its historical redemption data is limited. Changes in the estimated breakage are applied on a prospective basis. The initial estimate of breakage is established at the time the miles are earned, but the expected breakage on outstanding miles is updated annually along with the estimated fair value of the miles earned. The Company engages a specialist to assist in the performance of the breakage calculation.

Auditing the breakage in the frequent flyer program was challenging due to the complexity of the models used related to the determination of future behavior of redemptions.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the controls over the Company's frequent flyer program. We tested controls over management's review of the breakage calculations including the statistical behavior method of redemptions and the data inputs used for the calculation. To test the estimated miles that will expire without use, our procedures included evaluating the redemptions statistical behavior used and the assumptions applied, including whether the historical redemption data used in the model is representative of future redemption behavior. We also evaluated the competence of management's specialist. We involved our valuation specialists to assist in our evaluation of the Company's model, assumptions related to redemptions behavior and calculation of mileage breakage. To test the completeness and accuracy of the underlying data our procedures included a review of the actual redemptions made from program inception to 2023.

/s/ Ernst & Young Limited Corp.

A member practice of Ernst & Young Global Limited

We have served as the Company's auditor since 1999

Panama City, Republic of Panama

April 29, 2024

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of financial position
As of December, 31
(In US$ thousands)

	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	8	$ 206,375	$ 122,424
Investments	9	708,809	812,323
Accounts receivable	10,23	159,247	137,583
Expendable parts and supplies	11	116,604	93,332
Prepaid expenses	12	44,635	52,322
Prepaid income tax		66	798
Other currents assets	17	32,227	17,043
		1,267,963	1,235,825
Non-current assets			
Investments	9	258,934	202,056
Prepaid expenses	12	9,633	7,770
Property and equipment	13	3,238,632	2,883,524
Right of use assets	14	281,146	234,380
Intangible assets	16	87,986	78,555
Net defined benefit assets	15	5,346	504
Deferred tax assets	22	30,148	30,743
Other non-current assets	17	17,048	17,005
		3,928,873	3,454,537
Total assets		$ 5,196,836	$ 4,690,362
LIABILITIES AND EQUITY			
Current liabilities			
Loans and borrowings	18	$ 222,430	$ 142,484
Current portion of lease liabilities	14	68,304	80,084
Trade, other payables and financial liabilities	19,23	184,934	168,839
Air traffic liability	7.2	611,856	651,805
Frequent flyer deferred revenue	7.2	55,062	55,292
Taxes payable		44,210	43,878
Accrued expenses payable	20	64,940	44,913
Income tax payable		26,741	6,276
		1,278,477	1,193,571
Non-current liabilities			
Loans and borrowings long-term	18	1,240,261	1,301,819
Lease liabilities	14	215,353	158,289
Frequent flyer deferred revenue	7.2	69,754	56,234
Net defined benefit liabilities	15	—	—
Derivative financial instruments	18	—	251,150
Deferred tax liabilities	22	36,369	16,571
Other long-term liabilities	21	234,474	220,618
		1,796,211	2,004,681
Total liabilities		3,074,688	3,198,252
Equity	24		
Issued capital			
Class A common stock - 34,110,338 (2022 - 34,033,575) shares issued 31,101,689 (2022 - 28,477,704) outstanding		23,201	21,327
Class B common stock - 10,938,125 (2022 - 10,938,125) shares issued and outstanding, no par value		7,466	7,466
Additional paid in capital		209,102	103,465
Treasury stock		(204,130)	(344,541)
Retained earnings		2,095,835	1,715,838
Accumulated other comprehensive loss		(9,326)	(11,445)
Total equity		2,122,148	1,492,110
Commitments and contingencies	27	—	—
Total liabilities and equity		$ 5,196,836	$ 4,690,362

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of profit or loss
For the year ended December, 31
(In US$ thousands)

	Notes	2023	2022	2021
Operating revenue				
Passenger revenue		$ 3,316,361	$ 2,824,719	$ 1,412,390
Cargo and mail revenue		97,105	101,765	71,577
Other operating revenue		43,538	38,549	25,964
	7	3,457,004	2,965,033	1,509,931
Operating expenses				
Fuel		995,862	1,052,637	383,179
Wages, salaries, benefits and other employees' expenses		436,526	380,385	258,128
Passenger servicing		89,146	70,080	35,869
Airport facilities and handling charges		221,878	192,584	131,335
Sales and distribution		227,171	224,465	129,877
Maintenance, materials and repairs		132,531	104,114	41,888
Depreciation and amortization	13,14,16	306,114	267,704	239,946
Impairment of non financial assets	13,16	—	—	(5,441)
Flight operations		109,892	97,256	55,766
Other operating and administrative expenses		130,656	125,424	87,426
		2,649,776	2,514,649	1,357,973
Operating profit		807,228	450,384	151,958
Non-operating income (expense)				
Finance cost	14,18	(158,216)	(87,631)	(76,234)
Finance income	18	50,208	18,030	10,849
Gain (loss) on foreign currency fluctuations		3,076	(9,812)	(6,174)
Net change in fair value of derivatives	18	(98,347)	17,189	(22,778)
Other net non-operating income (expense)		7,153	70	(3,291)
		(196,126)	(62,154)	(97,628)
Profit before taxes		611,102	388,230	54,330
Income tax expense	22	(97,005)	(40,176)	(10,486)
Net profit		$ 514,097	$ 348,054	$ 43,844
Earnings per share	26			
Basic		$ 12.78	$ 8.58	$ 1.03
Diluted		$ 12.78	$ 7.88	$ 1.03

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of comprehensive income
For the year ended December, 31
(In US$ thousands)

	2023	2022	2021
Net profit	$ 514,097	$ 348,054	$ 43,844
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - Remeasurement on defined benefit plans	2,119	7,225	5,412
Total comprehensive income for the year	$ 516,216	$ 355,279	$ 49,256

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of changes in equity
For the year ended December,31
(In US$ thousands)

		Common stock (Shares)		Issued capital														
	Notes	Class A	Class B		Class A		Class B		Additional paid in capital		Treasury stock		Retained earnings		Accumulated other comprehensive income (loss)		Total equity
At January 1, 2021		31,421,265	10,938,125	$	21,199	$	7,466	$	91,341	$	(136,388)	$	1,324,022	$	(24,082)	$	1,283,558
Net profit		—	—		—		—		—		—		43,844		—		43,844
Other comprehensive income	15	—	—		—		—		—		—		—		5,412		5,412
Issuance of stock for employee awards		132,880	—		90		—		(90)		—		—		—		—
Share-based compensation expense	25	—	—		—		—		7,097		—		—		—		7,097
Dividends	24	—	—		—		—		—		—		—		—		—
Acquisition of treasury shares		(559,025)	—		—		—		—		(40,514)		—		—		(40,514)
At December 31, 2021		30,995,120	10,938,125	$	21,289	$	7,466	$	98,348	$	(176,902)	$	1,367,866	$	(18,670)	$	1,299,397
Net profit		—	—		—		—		—		—		348,054		—		348,054
Other comprehensive income	15	—	—		—		—		—		—		—		7,225		7,225
Issuance of stock for employee awards		54,501	—		38		—		(38)		—		—		—		—
Share-based compensation expense	25	—	—		—		—		5,155		—		—		—		5,155
Acquisition of treasury shares	24	(2,571,917)	—		—		—		—		(167,639)		—		—		(167,639)
Other		—	—		—		—		—		—		(82)		—		(82)
At December 31, 2022		28,477,704	10,938,125	$	21,327	$	7,466	$	103,465	$	(344,541)	$	1,715,838	$	(11,445)	$	1,492,110
Net profit		—	—		—		—		—		—		514,097		—		514,097
Other comprehensive income	15	—	—		—		—		—		—		—		2,119		2,119
Issuance of stock for employee awards		59,066	—		40		—		(40)		—		—		—		—
Share-based compensation expense	25	—	—		—		—		4,359		—		—		—		4,359
Acquisition of treasury shares	24	(1,141,316)	—		—		—		—		(105,932)		—		—		(105,932)
Dividends paid		—	—		—		—		—		—		(134,085)		—		(134,085)
Share settlement convertible notes	18	3,694,845	—		—		—		103,152		246,343		—		—		349,495
Other		11,390	—		1,834		—		(1,834)		—		(15)		—		(15)
At December 31, 2023		31,101,689	10,938,125	$	23,201	$	7,466	$	209,102	$	(204,130)	$	2,095,835	$	(9,326)	$	2,122,148

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of cash flows
For the year ended December,31
(In US$ thousands)

	Notes	2023	2022	2021
Operating activities				
Net profit		$ 514,097	$ 348,054	$ 43,844
Adjustments for:				
Income tax expense		97,005	40,176	10,486
Finance cost	18	158,216	87,631	76,234
Finance income	18	(50,208)	(18,030)	(10,849)
(Reversal) impairment of non financial assets		—	—	(5,441)
Depreciation and amortization	13,14,16	306,114	267,704	239,946
Disposal of non financial assets		847	(2,458)	4,260
Impairment of financial assets	9,28.3	(201)	2,408	1,516
Allowance for obsolescence		—	80	30
Share-based compensation expense	25	4,359	5,155	7,097
Net change in fair value of derivatives	18	98,347	(17,189)	22,778
Unrealized loss on investment	9	(6,338)	4,252	274
Net foreign exchange differences		11,117	25,330	44,853
Change in:				
Accounts receivable		(27,199)	(51,318)	(35,645)
Accounts receivable from related parties	10	(359)	(336)	(403)
Other current assets		(23,145)	(47,436)	(4,599)
Other assets		(7,219)	(10,874)	(6,786)
Accounts payable		19,143	46,982	49,285
Accounts payable from related parties	19	224	(6,945)	4,978
Air traffic liability		(39,950)	94,474	86,636
Frequent flyer deferred revenue		13,289	16,413	3,901
Other liabilities		40,266	33,317	6,450
Cash from operating activities		1,108,405	817,390	538,845
Income tax paid		(55,414)	(26,353)	(3,904)
Interest paid		(50,931)	(44,761)	(40,170)
Interest received		42,726	12,267	12,514
Net cash from operating activities		1,044,786	758,543	507,285
Investing activities				
Acquisition of investments		(644,909)	(763,842)	(1,117,214)
Proceeds from redemption and sale of investments		698,580	749,576	1,001,268
Advance payments on aircraft purchase contracts		(200,000)	(377,670)	(276,939)
Reimbursement of advance payments on aircraft purchase contracts		228,111	105,381	70,800
Acquisition of property and equipment		(600,175)	(254,561)	(206,795)
Proceeds from sale of property and equipment		5,095	7,426	81,336
Acquisition of intangible assets	16	(29,697)	(18,461)	(11,591)
Net cash used in investing activities		(542,995)	(552,151)	(459,135)
Financing activities				
Payment of convertible notes	18	(350,001)	—	—
Proceeds from new borrowings	18	428,310	222,481	352,278
Payments on loans and borrowings	18	(152,254)	(249,519)	(142,233)
Payment of lease liability	18	(79,999)	(79,017)	(80,992)
Repurchase of treasury shares	24	(105,932)	(167,639)	(40,514)
Dividends paid		(134,152)	—	—
Net cash (used in) from financing activities		(394,028)	(273,694)	88,539
Net increase (decrease) in cash and cash equivalents		107,763	(67,302)	136,689
Cash and cash equivalents at January 1		122,424	211,081	119,065
Effect of exchange rate change on cash		(23,812)	(21,355)	(44,673)
Cash and cash equivalents at December 31		$ 206,375	$ 122,424	211,081

The accompanying notes are an integral part of these consolidated financial statements.

COPA HOLDINGS, S. A. AND SUBSIDIARIES

Notes to the consolidated financial statements

1. Corporate information

Copa Holdings, S. A. ("the Company") was incorporated according to the laws of the Republic of Panama on May 6, 1988 with an indefinite duration. The Company is a public company listed in the New York Stock Exchange (NYSE) under the symbol CPA since December 14, 2005. The address of its registered office is Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Republic of Panama.

These consolidated financial statements comprise the Company and its subsidiaries: Compañía Panameña de Aviación, S. A. ("Copa Airlines"), Oval Financial Leasing, Ltd. ("OVAL"), AeroRepública, S. A. ("AeroRepública") and, La Nueva Aerolínea, S.A ("LNA").

- Copa Airlines: the Company's core operation is incorporated according to the laws of the Republic of Panama and provides international air transportation for passengers, cargo and mail, operating from its Panama City hub in the Republic of Panama.

- AeroRepública: is a Colombian air carrier, incorporated according to the laws of the Republic of Colombia which provides domestic and international air transportation for passengers, cargo, and mail.

  AeroRepública operates "Wingo" a brand under a low-cost business model. Wingo operates administratively and functionally under AeroRepública, with an independent structure for its commercialization, distribution systems and customer service.

- OVAL: incorporated according to the laws of the British Virgin Islands, it controls the special-purpose entities that have a beneficial interest in the majority of the Company's fleet, which is leased to either Copa Airlines or AeroRepública.

- LNA: is a Panamanian air carrier, incorporated according to the laws of the Republic of Panama and provides domestic and international air transportation for passengers, cargo and mail, operating from the Republic of Panama. LNA, operates air transportation for passengers under "Wingo's" brand.

The Company currently offers approximately 375 daily scheduled flights to 82 destinations in 32 countries in North, Central and South America and the Caribbean, mainly from its Panama City Hub. Additionally, the Company provides passengers with access to flights to more than 180 international destinations through codeshare agreements. The Company is part of Star Alliance, the leading global airline network since June 2012.

The Company has a broad commercial alliance with United Airlines Holdings, Inc. ("United"), which was renewed during May 2021, for another five years. This Alliance includes an extensive and expanding code-sharing and technology cooperation.

Copa Airlines has the loyalty program "ConnectMiles", designed to strengthen the relationship with its frequent flyers and provide exclusive attention. ConnectMiles members are eligible to earn and redeem miles to any of Star Alliance's, 1,200 (unaudited) destinations within 26 airlines members (unaudited).

As of December 31, 2023, the Company operates a fleet of 106 aircraft with an average age of 9.7 years, and consists of 67 Boeing 737-800 Next Generation aircraft, 9 Boeing 737-700 Next Generation aircraft, 1 Boeing 737-800 BCF and 29 737-MAX aircraft. In March 2022, the newly converted freighter aircraft, the Boeing 737-800 BCF (Boeing Converted Freighter) with a capacity of 21.7 tons per flight, began operations. The aircraft came from the Company's fleet and was converted into a freighter by Boeing. This freighter aircraft will further increase cargo capacity.

The consolidated financial statements for the year ended December 31, 2023 have been authorized for issuance by the Company's Chief Executive Officer and Chief Financial Officer on April 29, 2024.

2. Basis of preparation

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

As used in these notes to the consolidated financial statements, the terms "the Company", "we", "us", "our", and similar terms refer to Copa Holdings, S. A. and, unless the context indicates otherwise, its consolidated subsidiaries.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets, certain classes of property, plant and equipment, investment property and derivative financial instruments – measured at fair value
- assets held for sale – measured at fair value less cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars (U.S. dollars "$"), which is the Company's functional currency and the legal tender of the Republic of Panama. The Republic of Panama does not issue its own paper currency; instead, the U.S. dollar is used as legal currency.

All values are rounded to the nearest thousand in U.S. dollars ($000), except when otherwise indicated.

3. Material accounting policies

(a) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed to, or has right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls the investee, when it has:

- power over the investee,
- exposure, or rights to, variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, and dividends are eliminated in full.

The following are the significant subsidiaries included in these financial statements:

Name	Country of Incorporation	Ownership interest	
		2023	2022
Copa Airlines	Panama	99.9 %	99.9 %
AeroRepublica	Colombia	99.9 %	99.9 %
Oval	British Virgin Islands	100 %	100 %
LNA	Panama	100 %	100 %

(b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent, unless restricted.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Foreign currencies

The Company's consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency. The Company determines the functional currency for each entity, and the items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency spot rates on the date when the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Foreign exchange gains and losses are included in the exchange rate difference line in the consolidated statement of profit or loss for the year.

(d) Revenue recognition

Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The consideration received or receivable is measured taking into account contractually defined terms of payment and excluding taxes or duties. The following specific recognition criteria must also be met before revenue is recognized:

Passenger revenue

Passenger revenue is primarily composed of passenger ticket sales, frequent flyer miles redeemed and ancillaries revenues associated with a passenger's flight.

- Passenger tickets

Passenger revenue from tickets is recognized when transportation is provided or when the ticket expires unused, rather than when a ticket is sold. The amount of passenger ticket sales, not yet recognized as revenue, is reflected under "Air traffic liability" in the consolidated statement of financial position.

For tickets that are expected not to be used, the Company performs a monthly liability evaluation using its historical experience with refundable and nonrefundable expired tickets and other facts. A year after the sale is made, actual ticket breakage is removed from "Air Traffic liability" and the provision is reversed.

The unused tickets expire after one year from the sale date, and any revenue associated with tickets sold for future travel is recognized within 12 months.

The Company sells certain tickets with connecting flights with one or more segments operated by its other airline partners. For segments operated by other airline partners, the Company has determined that it is acting as an agent on behalf of the other airlines as they are responsible for their portion of the contract. The Company, as the agent, reduces its "Air traffic liability" when consideration is remitted to those airlines, and recognizes revenue for the net amount representing commission to be retained by the Company for any segments flown by other airlines.

Denied boarding compensation made to customers for voluntarily or involuntarily denied boarding reduces revenue when the voucher is issued to the passenger.

In response to Covid-19 the Company established a new commercial policy where some tickets scheduled to expire before June 2021, were extended to June 30, 2022. During 2022, the Company calculated a specific breakage for tickets that were not expected to be used based on this commercial policy. As of December 31, 2022, all revenue related to these tickets has been recognized in the consolidated statement of profit or loss and since then, there are no tickets with expiration dates for more than one year.

- Frequent flyer program

The Company's frequent flyer program objective, is to reward customer loyalty. Members in this program earn miles for travel on Copa Airlines, Star Alliance partners' airlines and also by purchasing the goods and services of the Company network of non-airline partners and co-branded credit cards. The miles or points earned can be exchanged for flights on Copa or any of other Star Alliance partners' airlines.

Passenger revenue includes flights redeemed under our frequent flyer program. When a passenger elects to receive Copa's frequent flyer miles in connection with a flight, the Company recognizes a portion of the tickets sale as revenue when the air transportation is provided and recognizes a deferred liability (Frequent flyer deferred revenue) for the portion of the ticket sale representing the value of the related miles as a separate performance obligation. To determine the amount of revenue to be deferred, the Company estimates and allocates the fair value of the miles that were essentially sold along with the airfare, based on a weighted average ticket value, which incorporates the expected redemption of miles including factors such as redemption pattern, cabin class and geographic region.

A statistical model that estimates the percentages of points that will not be redeemed before expiration is used to estimate breakage. The breakage and the fair value of the miles are reviewed at least annually, and any adjustments are reflected on a prospective basis to passenger revenues.

The Company calculates the short and long-term portion of the frequent flyer deferred revenue, using a model that includes estimates based on the members' redemption rates projected by management due to clients' behavior.

Currently, when a member of another carrier frequent flyer program redeems miles on a Copa Airlines flight, those carriers pay to the Company a per mile rate. The rates paid by them depend on the class of service, the flight length, and the availability of the reward and is included in passenger revenues.

- Ancillaries revenues

Primarily composed of services performed in conjunction with a passenger's flight, including administrative fees (such as ticket change fees), baggage fees, and other ticket-related fees. These ancillary fees are part of the travel performance obligation and, as such, are recognized as passenger revenue when the travel occurs.

Cargo and mail revenue

Cargo and mail revenue is recognized when the Company provides and completes the shipping services as requested by the client and the risks on the merchandise and goods are transferred.

Other operating revenue

Other operating revenue includes revenue associated with the marketing component of the frequent flyer program. This revenue is comprised of the marketing component of mileage sales to co-branded card, other partners and other marketing related payments.

The Company sells miles to non-airline businesses with which it has marketing agreements. The main contracts to sell miles are related to co-branded credit card relationships with major banks in the region. The Company determined the selling prices of miles according to a method which allocates consideration based upon the relative selling price of the deliverables. The relative selling price of the deliverables is determined based upon the estimated standalone selling prices of each deliverable in the arrangement and is allocated between the miles sold to the passenger (as described above) and the marketing elements. Revenue allocated to the performance obligations related to, marketing components, is recorded in other operating revenue when miles are delivered.

The remaining amounts included within other revenue are related to lease income, advertising and vacation-related services.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position, comprise cash on hand and in banks, money market accounts, and time deposits with original maturities of three months or less from the date of purchase.

The Company evaluates the term and conditions relating to its restricted cash to determine where it should be presented, as current assets in cash and cash equivalents or as non-current assets in long-term investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash net of outstanding bank overdrafts, if any. The Company has elected to present the statement of cash flows using the indirect method.

As of December 31, 2023 and 2022, the Company cash position is comprised from cash on hand and in banks.

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company's financial assets include cash and cash equivalents, short and long-term investments and accounts receivable.

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All financial assets are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of an instrument.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes the Company's investments and its receivables.

The Company invests in short-term deposits and bonds with original maturities of more than three months but less than one year, and invests in long-term deposits and bonds with maturities greater than one year. These investments are classified as short and long-term investments, respectively, in the accompanying consolidated statement of financial position.

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial instruments are initially recognized and carried at the original invoice amount since recognition of interest under the amortized cost would be immaterial less a provision for impairment.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company currently does not have assets classified under this category.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company may elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company currently does not have assets classified under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

(iii) Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(iv) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) on financial asset measured at amortized cost. Loss allowance for financial assets are deducted from the gross carrying amount on the assets.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Both, lifetime ECLs and 12-month ECLs, are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each quarterly reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For accounts receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each quarterly reporting date.

The Company has established a provision matrix to measure ECLs. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the day past due.

Loss rates are based on actual credit loss experience over the last 12 months and adjusted for forward-looking factors specific to the debtors and the economic environment over the expected life of the receivables.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Company considers that there are no realistic prospects of recovery of the asset if any of the following indicators are present:

- the debtor is in a state of permanent disability
- the Company has exhausted all legal and/or administrative recourse
- where the account exceeds one year without decreases
- when there are no documents establishing the debt

Losses arising from impairment are recognized under "Other operating and administrative expenses" in the consolidated statement of profit or loss.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts, and derivative financial instruments.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

Subsequent to initial recognition, all borrowings and loans are measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under finance cost in the consolidated statement of profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Derivative financial instruments

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are carried as financial assets when the fair value results in a right to the Company and as financial liabilities when the fair value results in an obligation. The accounting for changes in value depends on whether the derivative is designated as a hedging instrument, and if so, the classification of the hedge.

(g) Impairment of non - financial assets

The Company assesses at each reporting date whether there is an indication that an asset or its cash-generating unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s or CGU’s recoverable amount. The recoverable amount is the higher of an asset’s or its CGU’s fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses of continuing operations, including impairment on inventories, are recognized under “Impairment of non-financial assets” in the consolidated statement of profit or loss.

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

(h) Senior convertible notes

Senior convertible notes are classified as hybrid instruments that comprise a debt host contract for the interest and principal payments plus a derivative instrument for the conversion option.

The initial carrying amount of the non-derivative host contract is the difference between the fair value minus transaction costs of the hybrid instrument and the fair value of the embedded derivative. Under this approach, all of the transaction costs are always allocated to and deducted from the carrying amount of the non-derivative host contract on initial recognition.

After initial recognition, the debt host contract would be measured at amortized cost, and the derivative liability, not being closely related to the debt host contract, would be measured at fair value through profit or loss.

In September 2023, the Company settled the total outstanding notes (see Note 18).

(i) Property and equipment

Property and equipment comprise mainly airframe, engines, and other related flight equipment. All property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When a major maintenance inspection or overhaul cost is embedded in the initial purchase cost of an aircraft, the Company estimates the carrying amount of the component. These initial built-in maintenance assets are depreciated over the estimated time period until the first maintenance event is performed. The cost of major maintenance events completed after the aircraft acquisition are capitalized and depreciated over the estimated time period until the next major maintenance event. The remaining value of the previously capitalized component if any, is charged to expense upon completion of the subsequent maintenance event.

The Company recognizes the depreciation on a straight-line basis which for some aircraft components is akin to depreciation based on use, over the estimated useful life of the assets. Depreciation is recognized in the consolidated statement of profit or loss from the date the property, and equipment is installed and ready for use.

Property and equipment	Estimate useful life (years)	Residual Value
Flight equipment (*)		
Airframe and core engines	27	15%
Major maintenance events	3-16	—
Conversion to freighter	Lesser of 10 years and remaining useful life of the aircraft	
Cabin refurbishment	Lesser of remaining useful life of the aircraft and estimated useful life of the refurbishment	
Ramp and miscellaneous		
Ground equipment	10	—
Furniture, fixture, equipment and other	5-10	—
Leasehold improvements	Lesser of remaining lease term and estimated useful life of the leasehold improvement	—

(*) Estimates for Boeing 737-700 fleet may differ , see note 13.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The costs of major maintenance events for leased aircraft are capitalized and depreciated over the shorter of the scheduled usage period to the next major inspection event or the remaining life of lease term (as appropriate), the remaining value of the previously capitalized maintenance or the right-of-use asset ("ROU") component if any, is charged to expense upon completion of the subsequent maintenance event.

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The land owned by the Company is recognized at cost less any accumulated impairment.

Borrowing costs directly attributable to the acquisition, construction, or production of any qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset during that period of time.

Other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(j) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract, conveys the right to control the use of an identified asset, the Company assesses whether:

- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset; and
- The Company has the right to direct the use of the identified asset.

The Company as a lessee

At the commencement date, the Company recognizes a ROU and a lease liability.

The ROU is measured at cost and comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The ROU is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the ROU or component, or lease term. The estimated useful life of ROU is determined on the same basis of owned property and equipment.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The ROU assets are also subject to impairment. Refer to the accounting policies in section (g) impairment of non-financial assets.

In this regard, the Company applies the following, by class of underlying asset:

- for the leases of real estate, the Company has elected to separate non-lease components.
- for aircraft leases, the value of major maintenance inspection or overhaul embedded in the aircraft is recognized as a separated component and is depreciated over the estimated time period until the first maintenance event is performed or the remaining life of lease term (as appropriate) which ever is shorter.

The lease liability, is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined or the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as lease expenses in the period in which the event or condition that triggers the payment occurs, under "Other operating and administrative expenses" in the consolidated statement of profit or loss.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the Company's estimated amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU, or is recorded in profit or loss if the carrying amount of ROU has been reduced to zero.

Financing arrangements where is certain that the asset will be purchased at the end of the lease term, are "in substance purchases" and not leases, in those cases, the related liability is considered a financial liability under IFRS 9 and the asset, as property and equipment, according to IAS 16.

The Company has elected not to recognize ROU and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term as "Other operating and administrative expenses" in the consolidated statement of profit or loss.

The Company as lessor

When assets are leased under operating leases, the asset is included in the consolidated statement of financial position according to its nature. Revenue from operating leases is recognized over the lease term on a straight-line basis as part of other operating revenue.

Initial direct costs incurred by the Company in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the related lease income.

Sale and leaseback transactions

The Company enters into transactions whereby an asset is sold and subsequently lease back.

The Company applies the IFRS 15 requirements for determining whether the transfer of an asset is accounted for as a sale.

If the transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset:

- The seller-lessee measures the ROU at the proportion of the previous carrying amount that relates to the ROU retained by the seller-lessee; and
- The buyer-lessor shall account for the purchase applying the appropriate standards and for the lease applying IFRS 16.

Where either the sale is below fair value or the leasing arrangement below market rates, adjustments are required to measure the proceeds at fair value.

Below market terms are to be accounted for as a prepayment of lease payments and above market terms shall be accounted for as additional financing provided by the buyer to the seller.

The adjustment must be measured with reference to the more determinable of the difference between the consideration for the sale and the fair value of the asset or the difference between the present value of the contractual lease payments and the present value of payments for the lease at market rates.

If the transaction does not meet the sale recognition requirements of IFRS 15:

- the seller-lessee shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability applying IFRS 9.
- the buyer-lessor shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset applying IFRS 9.

(k) Intangible assets

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed of the acquired subsidiary at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGU or group of CGU's that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognized in the consolidated statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful life are not amortized but are tested for impairment at least annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or lossconsolidated statement of profit or lossconsolidated statement of profit or loss when the asset is derecognized.

The Company's intangible assets and the policies applied are summarized as follows:

- Licenses and software rights

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful life (from three to eight years) and the amortization is recognized in the consolidated statement of profit or loss. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company and that are estimated to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful life (from five to fifteen years).

(l) Taxes

Income tax expense

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except when related to the items recognized directly in equity or in other comprehensive income ("OCI").

- Current income tax

The Company pays taxes in the Republic of Panama and in other countries in which it operates, based on regulations in effect in each respective country.

Revenue arises principally from foreign operations, and according to the Panamanian Tax Code, these foreign operations are not subject to income tax in Panama.

The Panamanian tax code for the airline industry states that tax is based on net income earned for passenger traffic with origin or final destination in the Republic of Panama. The applicable tax rate is currently 25%.

Additionally, entities with annual taxable income over one million five hundred thousand dollars, must pay income tax on the greater of:

- Net taxable income calculated by the traditional method, or
- Net taxable income resulting from applying four-point sixty-seven percent (4.67%) to the total taxable income (alternative method "CAIR").

In the event that, due to income tax, the taxpayer incurs in losses or that the effective rate is higher than 25%, the taxpayer may submit a request to the authorities for the non-application of the alternative method and in its effective that the payment of income tax is accepted on the traditional basis.

Dividends from the Panamanian subsidiaries are separately subject to a 10% withholding tax on the portion attributable to Panamanian sourced income and a 5% withholding tax on the portion attributable to foreign sourced income.

The Company is also subject to local tax regulations in each of the other jurisdictions where it operates, the great majority of which are related to income taxes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

- Deferred tax

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

- Ticket taxes

The Company is required to charge certain taxes and fees on its passenger tickets. These taxes and fees include transportation taxes, airport passenger facility charges, and certain governmentally imposed airport arrival and departure taxes. These taxes and fees are legal assessments on the customer. Since the Company has a legal obligation to act as a collection agent with respect to these taxes and fees, such amounts are not included in passenger revenue. The Company records a liability when these amounts are collected and derecognizes the liability when payments are made to the applicable government agency or operating carrier.

(m) Provisions

Provisions for costs, including restitution, restructuring and legal claims and assessments are recognized when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount of obligation can be reliably estimated.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

For aircraft leases, the Company is contractually obliged to return the aircraft in a defined condition. The Company accrues a provision for return conditions which are based on the usage of leased aircraft throughout the duration of the lease.

Return conditions are based on the net present value of the estimated costs of returning the aircraft and are recognized in the consolidated statement of profit or loss under “Maintenance, materials and repairs”. These costs are reviewed annually and adjustments, if any, are recognized prospectively over the remaining lease term.

(n) Employee benefits

Defined benefit plan

The Company has a defined benefit plan in accordance with Panamanian law, which requires contributions to be made to a separately administered fund.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit actuarial cost method (PUC).

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets and the effect of the asset ceiling (if any), are recognized immediately in other comprehensive income. The Company determines the net interest by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss.

Share-based payments

Employees (including senior executives) of the Company receive compensation in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in additional paid in capital in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. Expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period and is recognized under "Wages, salaries, benefits and other employees' expenses" expense in the consolidated statement of profit or loss (note 25).

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and the accompanying disclosures and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements in the following area:

- Leases

The Company enters into contracts for the use of the aircraft and real estate which include, airport and terminal facilities, sales offices, maintenance facilities, and general offices. The Company assesses, based on the terms and conditions of the arrangements, whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Company's control. Such changes are reflected in the assumptions when they occur.

- Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each quarterly reporting period.

- Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (see note 16).

- Property and equipment

The Company's management has determined that the residual value of the airframe, engines, and components (rotable parts) owned is 15% of the cost of the asset, therefore the depreciation of flight equipment is made accordingly. Annually, management reviews the useful life and residual value of each of these assets (see note 13).

- Provision for return condition

The Company records a provision to accrue for the cost that will be incurred in order to return the lease aircraft to their lessor in the agreed-upon condition, excluded estimated dismantling costs not based on utilization of the aircraft which are included in the ROU asset and lease liability. The methodology applied to calculate the provision requires management to make assumptions, including the future maintenance costs, discount rate, and related inflation rates and aircraft utilization. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning.

Any difference in the actual maintenance cost incurred and the amount of the provision is recorded under "Maintenance, materials and repairs" in the consolidated statement of profit or loss. The effect of any changes in estimates, including those mentioned above, is also recognized under "Maintenance, materials and repairs" for the period (see note 21).

- Revenue recognition – expired tickets

The Company recognizes estimated fare revenue for tickets that are expected to expire based on departure date (unused tickets), based on historical data and experience. Estimating the expected expiration rate requires management's judgment, among other things, the historical data and experience is an indication of the future customer behavior.

The unused tickets expire after one year after being sold, and any revenue associated with tickets sold for future travel is recognized within 12 months.

- Multiple deliverable revenue arrangements - Frequent flyer program

The frequent flyer program includes two major transactions that are considered revenue arrangements with multiple performance obligations: (i) mileage credits earned with travel and (ii) mileage credits sold to co-branded credit card partner and other partners. The Company estimates the fair value of the miles in those transactions using a blended calculation of rates charged when miles are sold to other partners and the average value of a mile flown by a customer earned with travel, less an estimate of the miles that will expire unused (breakage). The Company engages a specialist to assist in the performance of the breakage calculation.

- Taxes

The Company believes that taken tax positions, including transfer pricing between entities, are reasonable. However, in the event of an audit by the tax authorities, they may challenge the positions taken by the Company, resulting in additional taxes and interest liabilities.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies (see note 22).

- Incremental borrowing rate for leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

- Fair value measurement

The Company measures financial instruments such as derivatives at fair value at the date of each statement of financial position. Fair values of financial instruments measured at amortized cost are disclosed in note 28.6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. Adoption of new and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – *Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

During 2023, the Company finish the process of implementing appropriate fall back clauses for its long term variable rate debt based of LIBOR and incorporated the new benchmark based on Secured Overnight Financing Rate (“SOFR”). The Company elected to apply the practical expedient introduced on the amendment since the changes resulted directly from IBOR reform and the change in contractual cash flows occurred on an ‘economically equivalent’ basis.

As of December 31, 2023, there was no impact to the consolidated financial statements, the changes were accounted updating the effective interest rate with no gain or loss recognized.

Amendments to IAS 8 - *Definition of Accounting Estimates*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments had no impact on the Company consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - ***Disclosure of Accounting Policies.***

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Although the amendments did not result in any changes on the measurement, recognition or presentation of any items in the Company's financial statements, Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line of the amendments.

Amendments to IAS 12 ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

In May 2021 the IASB issued the amendments to IAS 12 Income Taxes which require companies to recognize deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments apply for annual reporting periods beginning on or after 1 January 2023, and and should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The Company has recognized a separate deferred tax assets in relation to its lease liabilities and a deferred tax liability in relation to its ROU. However, there no material impact on the statement of financial position since the balances qualify for offset according to paragraph 74 of IAS 12. During 2023, the Company recognized a tax benefit of $1.8 million related to this deferred tax, under "Income tax expense" in the consolidated statement of profit or loss (see note 22).

Amendments to IAS 12 ***International Tax Reform—Pillar Two Model Rules***

The amendments to IAS 12 have been introduced in response to the Organization for Economic Cooperation and Development's ("OECD") Base erosion and profit shifting ("BEPS") Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

On December 18, 2023, Pillar Two legislation was enacted in Ireland, the jurisdiction in which the Company has special purpose vehicles that have a beneficial interest in some of the aircraft of the Company's fleet. The income inclusion rule (IIR) and qualified domestic minimum top-up tax (QDMTT) provisions will apply for fiscal years beginning on or after 31 December 2023. The undertaxed profits rule (UTPR) will apply for fiscal years beginning on or after 31 December 2024 and will come into effect from 1 January 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure. The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in this amendments.

At the date when the financial statements were authorized for issue, no other of the jurisdictions in which the Company operates had enacted or substantively enacted the tax legislation related to the top-up tax.

Amendments to IAS 21 *Lack of Exchangeability*

In August 2023 the IASB issued the amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

The amendment is effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The Company will apply these amendments to Foreign Exchange Rates for which it has fulfilled all its conditions at the beginning of the annual reporting period in which it first applies the amendments.

6. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective

Amendments to IAS 1 - *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current and apply for annual reporting periods beginning on or after January 2023. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral on the effective date to no earlier than January 2024. Due to these ongoing developments, the Company is unable to determine the impacts of these amendments on the consolidated financial statements in the period of initial application.

Amendment to IFRS 16 – *Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback. The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. These amendments explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

During 2022, the Company entered into sale and lease back transactions, however we do not expect impacts for the adoption of this amendment since the lease payments on these transactions are fixed. During 2023, the Company did not entered into sale and lease back transactions.

Amendment to IAS 1 – *Non current liabilities with covenants*

In November 2022, the IASB issued Non current liabilities with covenants, in the amendments, the Board clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024 and will need to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early adoption is permitted, but will need to be disclosed.

The amendment is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements ("SFAs")*

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company consolidated financial statements since the Company don't use this type of transactions.

6.1 IFRS Sustainability Disclosure Standards

In June 2023, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information(General Requirements standard): this standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.
- IFRS S2 Climate-related Disclosures: the objective of this standard is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S2 applies to climate-related risks to which the entity is exposed, which are:

i. climate-related physical risks; and

ii. climate-related transition risks; and

iii. climate-related opportunities available to the entity.

This standard is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is also applied.

These ISSB standards are not mandatory on a global scale, rather they provide a tool for individual jurisdictions to implement mandatory reporting as required. The Company is currently engaged with specialists to assist them with applying the new standards.

7. Revenue from contract with customers

7.1 Revenue disaggregation

Operating revenues are comprised of passenger revenues, cargo and mail, and other operating revenues. The following table shows disaggregated operating revenues for the years ended as December 31, 2023, 2022 and 2021.

	2023	2022	2021
Passenger revenue			
Passenger revenue	$ 3,263,764	$ 2,793,420	$ 1,388,089
Miles redeemed	52,597	31,299	24,301
	3,316,361	2,824,719	1,412,390
Cargo and mail revenue	97,105	101,765	71,577
Other operating revenue			
Frequent flyer program - marketing services	37,930	28,396	18,897
Other operating revenue	5,608	10,153	7,067
	43,538	38,549	25,964
	$ 3,457,004	$ 2,965,033	$ 1,509,931

7.2 Contract balances

The significant contract liabilities are comprised of ticket sales for transportation that has not yet been provided, recorded as "Air traffic liability" and outstanding loyalty program miles that may be redeemed for future travel, recorded as "Frequent flyer deferred revenue".

The table below presents the changes in air traffic liability:

	2023	2022
Balance at beginning of year	$ 651,805	$ 557,331
Sales	3,722,763	3,320,260
Revenue recognition	(3,076,635)	(2,623,256)
Tax recognition	(547,206)	(450,541)
Reimbursements	(84,033)	(105,508)
Interline tickets	(52,675)	(52,496)
Other	(2,163)	6,015
Balance at end of year	$ 611,856	$ 651,805

The contract duration of passenger tickets is one year. Accordingly, any revenue associated with tickets sold for future travel dates will be recognized within twelve months.

The table below presents the activity of the current and non-current frequent flyer liability:

	2023	2022
Balance at beginning of year	$ 111,526	$ 95,114
Deferred of revenue	65,887	47,711
Recognition of revenue	(52,597)	(31,299)
Balance at end of year	$ 124,816	$ 111,526
Current	55,062	55,292
Non-current	69,754	56,234
	$ 124,816	$ 111,526

Contract assets are reflected as accounts receivable. See note 10.

7.3 Segment reporting

The Company's business activities are conducted as one operating segment – Air transportation (that includes cargo and mail revenue), the reporting results of which are regularly reviewed by management for purposes of analyzing its performance and making decisions about resource allocations. Information concerning operating revenue by geographic area for the period ended December 31 is as follows:

	2023	2022	2021
North America	$ 1,328,504	$ 957,730	$ 428,457
South America	1,233,362	1,094,450	557,827
Central America	796,679	819,534	475,590
Caribbean	54,921	54,770	22,093
	$ 3,413,466	$ 2,926,484	$ 1,483,967

The Company attributes revenue to the geographic areas based on point of sales. Our tangible assets and capital expenditures consist primarily of flight and related ground support equipment, which is mobile across geographic markets and, therefore, has not been allocated.

8. Cash and cash equivalents

	2023	2022
Checking and saving accounts	$ 151,146	$ 122,184
Time deposit	55,000	—
Cash on hand	229	240
	$ 206,375	$ 122,424

Cash at checking and saving accounts, earned interest based on rates determined by the banks in which the instruments are held.

As of December 31, 2023, the cash and cash equivalents disclosed above and in the consolidated statement of cash flows include $1.4 million (2022: $7.3 million) that the Company has pledged from its checking and saving accounts to fulfill collateral requirements.

As of December 31, 2023 and 2022, except for the cash pledged to fulfill collateral requirement, the Company's cash and cash equivalents are free of restriction or charges that could limit its availability.

9. Investments

	2023			2022		
	Current	Non Current	Total	Current	Non Current	Total
Investment at amortised cost						
Time deposits	$ 314,495	$ 100,000	$ 414,495	$ 432,750	$ 65,000	$ 497,750
Bonds	293,311	160,132	453,443	286,203	137,907	424,110
	607,806	260,132	867,938	718,953	202,907	921,860
Allowance for expected credit losses	(1,060)	(1,198)	(2,258)	(2,104)	(851)	(2,955)
	606,746	258,934	865,680	716,849	202,056	918,905
Investment at fair value through profit or loss						
Investment funds	102,063	—	102,063	95,474	—	95,474
	$ 708,809	$ 258,934	$ 967,743	$ 812,323	$ 202,056	$ 1,014,379

Investments at amortised cost include time deposits, and bonds which include, zero coupon bonds and listed corporate bonds. All of the investments are denominated in U.S. dollar, as a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

Time deposits earned interest based on rates determined by the banks in which the instruments are held. The use of these instruments before its maturity date depends on the cash requirements of the Company.

As of December 31, 2023, the Company has pledged $6.5 million of its time deposits in order to fulfil the collateral requirements for some lease and airport contracts.

Listed corporate bonds, have interest rates ranging between 1.00% and 5.70% (2022: between 0.40% and 5.25%).

The information about the expected credit loss over these financial assets is disclosed in note 28.3

Investments at fair value through profit or loss ("FVPL") include investments in listed equity shares of an investment fund. Fair values of these equity shares are determined by reference to published price quotations in an active market. During 2023, the Company recognized a net unrealized profit on instruments at FVPL of $6.3 million (2022: $4.2 million net loss) recorded under "Other net non-operating income (expense)" in the accompanying consolidated statement of profit or loss.

For information about the methods and assumptions used in determining fair value see 28.6.

10. Accounts receivable

	2023	2022
Credit cards	$ 86,673	$ 75,274
Clearing house	27,873	32,278
Airlines	3,904	2,180
Cargo and courier	9,204	9,023
Agencies	2,628	4,090
Government	8,799	6,446
Account receivables from related parties	2,527	2,168
Other	20,936	13,814
	162,544	145,273
Allowance for expected credit losses	(3,297)	(7,690)
	$ 159,247	$ 137,583

Trade receivables are non-interest bearing and have maturities between 30 to 90 days.

See detail of trade receivables from related parties in note 23.

The category "Other" mainly includes receivables from miles' partners and employees accounts.

The change in the allowance for expected credit losses in respect of accounts receivable during the year was as follows.

	2023	2022	2021
Balance at beginning of years	$ (7,690)	$ (7,565)	$ (6,483)
Additions /(Reversal)	(496)	(765)	(1,421)
Write-off	4,889	640	339
Balance at end of year	$ (3,297)	$ (7,690)	$ (7,565)

The information about the credit exposures is disclosed in note 28.3.

11. Expendable parts and supplies

Expendable parts and supplies are mainly related to maintenance and repair of flight equipment, and are carried at the lower of the average acquisition cost or replacement cost.

	2023	2022
Material for repair and maintenance	$ 111,938	$ 88,276
Other inventories	4,768	5,158
	116,706	93,434
Allowance for obsolescence	(102)	(102)
	$ 116,604	$ 93,332

Expendable parts and supplies recognized when used as an expense in the accompanying consolidated statement of profit or loss under "Maintenance, materials and repairs" amount to $34.7 million, (2022: $25.4 million and, 2021: $22.0 million).

12. Prepaid expenses

	2023	2022
Prepaid taxes	$ 20,521	$ 25,385
Prepaid commissions	3,489	3,936
Prepaid insurance	416	446
Prepaid to supplier	29,842	30,325
	$ 54,268	$ 60,092
Current	44,635	52,322
Non-current	9,633	7,770
	$ 54,268	$ 60,092

The current portion of prepaid taxes amounts to $10.9 million and mainly includes tax advance of VAT, and withholdings taxes (2022: $9.2 million). The non-current portion of prepaid expenses mainly include tax credits for $9.6 million (2022: $7.7 million).

Prepaid to supplier mainly includes operating expenses related to aircraft rent, fuel and maintenance services.

13. Property and equipment

	Land	Flight equipment	Purchase deposits for flight equipment	Ramp and miscellaneous	Furniture, fixtures, equipment and other	Leasehold improvements	Construction in progress	Total
Cost -								
Balance at January 1, 2021	$ 6,301	$ 2,538,774	$ 407,814	$ 56,613	$ 32,796	$ 67,459	$ 6,165	$ 3,115,922
Transfer of pre-delivery payments	—	284,170	(284,170)	—	—	—	—	—
Additions	—	75,080	347,010	525	1,114	290	11,296	435,315
Disposals	—	(36,351)	—	(3,576)	(140)	(3,139)	—	(43,206)
Reclassifications	—	1,028	5,600	—	135	657	(1,877)	5,543
Reclassifications from assets held for sale	—	62,875	—	—	—	—	—	62,875
Balance at December 31, 2021	$ 6,301	$ 2,925,576	$ 476,254	$ 53,562	$ 33,905	$ 65,267	$ 15,584	$ 3,576,449
Transfer of pre-delivery payments	—	50,977	(50,977)	—	—	—	—	—
Additions	—	228,908	383,176	2,903	3,318	3,291	882	622,478
Disposals	—	(46,121)	—	(1,395)	(4,265)	(164)	(29)	(51,974)
Reclassifications	—	8,179	(76,200)	—	—	5,873	(14,052)	(76,200)
Balance at December 31, 2022	$ 6,301	$ 3,167,519	$ 732,253	$ 55,070	$ 32,958	$ 74,267	$ 2,385	$ 4,070,753
Transfer of pre-delivery payments	—	211,703	(211,703)	—	—	—	—	—
Additions	—	373,983	205,030	3,993	3,760	1,991	9,302	598,059
Disposals	—	(56,979)	—	(427)	(1,476)	(897)	—	(59,779)
Reclassifications	—	(549)	(25,400)	—	—	617	(68)	(25,400)
Balance at December 31, 2023	$ 6,301	$ 3,695,677	$ 700,180	$ 58,636	$ 35,242	$ 75,978	$ 11,619	$ 4,583,633
Accumulated depreciation and impairment -								
Balance at January 1, 2021	$ —	$ (849,487)	$ —	$ (46,702)	$ (30,461)	$ (41,782)	$ (4)	$ (968,436)
Depreciation for the year	—	(127,432)	—	(2,576)	(1,639)	(4,696)	—	(136,343)
Disposals	—	34,893	—	3,501	137	2,503	—	41,034
Balance at December 31, 2021	$ —	$ (942,026)	$ —	$ (45,777)	$ (31,963)	$ (43,975)	$ (4)	$ (1,063,745)
Depreciation for the year	—	(163,674)	—	(2,392)	(1,354)	(4,490)	—	(171,910)
Disposals	—	42,631	—	1,366	4,265	164	—	48,426
Balance at December 31, 2022	$ —	$ (1,063,069)	$ —	$ (46,803)	$ (29,052)	$ (48,301)	$ (4)	$ (1,187,229)
Depreciation for the year	—	(200,851)	—	(2,546)	(2,190)	(4,320)	—	(209,907)
Disposals	—	49,382	—	398	1,470	885	—	52,135
Balance at December 31, 2023	$ —	$ (1,214,538)	$ —	$ (48,951)	$ (29,772)	$ (51,736)	$ (4)	$ (1,345,001)
Carrying amounts -								
At December 31, 2021	$ 6,301	$ 1,983,550	$ 476,254	$ 7,785	$ 1,942	$ 21,292	$ 15,580	$ 2,512,704
At December 31, 2022	$ 6,301	$ 2,104,450	$ 732,253	$ 8,267	$ 3,906	$ 25,966	$ 2,381	$ 2,883,524
At December 31, 2023	$ 6,301	$ 2,481,139	$ 700,180	$ 9,685	$ 5,470	$ 24,242	$ 11,615	$ 3,238,632

Flight equipment

Flight equipment includes aircraft, engines, aircraft components, and major maintenance of own and leased aircraft.

During 2023, the Company capitalized 8 Boeing 737 MAX aircraft. The Company acquired these aircraft with financing through a Japanese Operating Leases with Call Options ("JOLCOs") which are a form financing obtained from Japanese lenders. Under IFRS, these transactions are considered a purchase and are accounted for as an element of Property and equipment. These arrangements establish semi-annually payments of obligations and have a term of 12 years.

During 2022, the Company capitalized 3 Boeing 737 MAX aircraft. The Company acquired these aircraft through financing from the Export-Import Bank of the United States (the "EXIM Bank"). These arrangements establish quarterly payments of obligations, and have a term of 12 years.

In March 2022, the newly converted freighter aircraft, the Boeing 737-800 BCF (Boeing Converted Freighter) with a capacity of 21.70 tons per flight, began operations. The conversion is depreciated over the lesser of 10.0 years or remaining useful life of the aircraft.

Aircraft with a carrying value of $1.5 billion (includes new acquired aircraft) are pledged as collateral for the obligation of the special purpose entities as of December 31, 2023 (2022: $1.5 billion).

On 26 September 2022, one of the Company's Boeing 737-800 aircraft came off the runway while landing at Tocumen International Airport in Panama. During 2023, the Company completed the repair of the aircraft and its engines under the Company's insurance policy. As of December 31, 2023, the Company has recognized an asset from reimbursement within other current assets in the consolidated statement of financial position of $11.5 million. (see note 17).

No impairment indicators were identified in 2023 and 2022 in the property and equipment.

Purchase deposits for flight equipment

Purchase deposits for flight equipment correspond to the future purchase of MAX aircraft and engines (see note 27).

As of December 31, 2023, the additions for $200.2 million include $200.0 million of advance payments paid on aircraft purchase contracts made during 2023 (2022: the additions for $383.2 million include $377.7 million of advance payments paid on aircraft purchase contracts).

Other property and equipment

As of December 31, 2023 and 2022 construction in progress mainly includes remodeling projects for airport facilities and offices. As of December 31, 2021, construction in progress mainly includes the construction of the new VIP lounge in the Terminal 2 of Tocumen International Airport and other remodeling projects for airport facilities and offices.

During 2023, the Company capitalized under "Leasehold improvements" $0.6 million in other remodeling projects for airport facilities and offices.

During 2022, the Company capitalized under "Leasehold improvements" $5.2 million to the new VIP lounge in Terminal 2 of Tocumen International Airport and other remodeling projects for Terminal facilities and offices.

Reclassification from assets held for sale

Boeing 737-700 fleet

In August 2020, motivated by the decrease in demand as a consequence of Covid-19, the Board of Directors of the Company approved the plan to sell fourteen aircraft Boeing 737-700. As of December 31, 2020, this decision resulted in impairment losses of $191.2 million.

In 2021, the Company signed an agreement for the sale of three Boeing 737-700 and four spare engines. As of December 31, 2021, the Company completed the sale of the assets according to the sales plan, no significant additional gain or loss was recognized on the sale.

During 2022, due to an increase in demand in the region, the Board of Directors approved to keep the remaining eleven Boeing 737-700 for a period of three years. The Company reclassified these aircraft to property and equipment since the classification as assets held for sale was no longer met, and proceeded to measure the aircraft at its fair value less cost of disposal determined considering sales contracts.

This reclassification resulted in reversal of impairment losses of $5.4 million, which were included under "Impairment of non-financial assets" in the accompanying consolidated statement of profit or loss.

During 2022, the Company sold 2 Boeing 737-700 airframes, no significant additional gain or loss was recognized on the sale.

14. Leases

The Company as a lessee

The Company leases some aircraft under long-term lease agreements with an average duration of 13 years. Aircraft under operating leases may be renewed in accordance with management's business plan.

Other leased assets include real estate, airport and terminal facilities, sales offices, maintenance facilities, and general offices. Most lease agreements include renewal options; a few have escalation clauses, but no purchase options.

Information about leases for which the Company is a lessee is presented below:

Right of use assets

	Aircraft	Real estate	Total
Balance at January 1, 2021	$ 192,361	$ 21,918	$ 214,279
Additions	29,157	1,085	30,242
Depreciation expense	(73,687)	(4,506)	(78,193)
Balance at December 31, 2021	$ 147,831	$ 18,497	$ 166,328
Additions	132,122	10,069	142,191
Depreciation expense	(69,167)	(4,972)	(74,139)
Balance at December 31, 2022	$ 210,786	$ 23,594	$ 234,380
Additions	120,747	1,960	122,707
Depreciation expense	(70,622)	(5,319)	(75,941)
Balance at December 31, 2023	$ 260,911	$ 20,235	$ 281,146

Additions to the right-of-use assets include new leases, contract extensions, changes in discount rate and changes in rental payments.

During 2023, the Company entered into lease transactions with third parties, for 1 new Boeing 737 MAX 9 aircraft for approximately 8 years (2022: 3 new Boeing 737 MAX 9).

Lease liabilities

	2023	2022
Current portion of lease liability		
Aircraft	$ 62,234	$ 74,906
Real estate	6,070	5,178
	$ 68,304	$ 80,084
Long-term lease liability		
Aircraft	$ 196,873	$ 135,609
Real estate	18,480	22,680
	$ 215,353	$ 158,289
	$ 283,657	$ 238,373

For leases under IFRS 16 the Company recognizes a provision to estimate the costs for work required to be performed just before the redelivery of the aircraft to the lessors and which does not depend on the aircraft utilization. This provision is booked as a dismantling provision cost under "long term liabilities" in the consolidated statement of financial position. As of December 31, 2023 the total liability related to leases including the provision of dismantling amounts to $310.8 million (2022: $266.4 million).

The Company had total cash outflows for leases of $92.2 million the year ended as December 31, 2023 (2022: $85.6 million).

As of December 31, 2023 the average incremental borrowing rate of leased aircraft is 4.6% (2022: 3.6%).

The maturity analysis of lease liabilities is disclosed in note 28.5.

Amounts recognized in the consolidated statement of profit or loss related to leases:

	2023	2022	2021
Depreciation and amortization			
Depreciation expense of right of use assets	$ 75,941	$ 74,139	$ 78,193
Other operating and administrative expenses			
Short-term leases	$ 12,310	$ 9,530	$ 440
Leases of low-value assets	425	377	279
Variable lease payments not include in the measurement of lease liabilities	2,895	3,222	1,352
Variable lease payments by rental concessions received	—	—	(1,295)
	$ 15,630	$ 13,129	$ 776
Finance cost			
Interest expense on lease liability	$ 12,173	$ 6,626	$ 6,806
Unwinding of discount and changes in the discount rate	1,106	819	762
	$ 13,279	$ 7,445	$ 7,568
	$ 104,850	$ 94,713	$ 86,537

Some property leases contain variable payment terms that are linked to the number of passengers or employees using the areas. Additionally, some aircraft leases contain variable payment terms that depend on the aircraft's flight hours.

The unwinding of discount and changes in the discount rate over leased aircraft correspond to the interest expenses of the discounted dismantling provision.

As of December 31, 2023 and 2022, the Company did not receive concessions as a direct consequence of the Covid-19 pandemic. As of December 31, 2021, the Company received rent concessions occurred as a direct consequence of the Covid-19 pandemic only for its real estate leases, and applied the practical expedient, accounting the concession in the form of forgiveness or deferral of lease payments, as a negative variable lease payment to the concessions.

The Company as a lessor

From June 2015 to August 2022, the Company leased two aircraft Boeing 737-700, as part of the strategy of fleet management, in order to optimize the use of aircraft in relation to the routes scheduled for those years. Both leases expired during 2022 and both aircraft airframes were sold to third parties.

Total lease income amounts to $1.7 million for the period ended December 31, 2022 (2021: $3.0 million), and is included under "Other operating revenue" in the accompanying consolidated statement of profit or loss.

15. Net defined benefit assets (liability)

	2023	2022
Fair value of plan assets	$ 37,159	$ 31,197
Defined benefit obligation	(31,440)	(30,332)
Other employee benefits	(373)	(361)
	$ (31,813)	$ (30,693)
Net defined benefit asset	$ 5,346	$ 504

In accordance with Panamanian law, the Company contributes to the following defined benefit plans:

Seniority premium plan: is a contingent liability that companies must pay to their employees according to article 224 of Panama's Labor Code according to the following:

Eligibility:	All employees
Benefit:	One week of salary per years of service
Salary:	Average of the 5 prior years of the monthly base salary
Payment:	Lump sum

The actuarial liability is recognized for the legal obligation under the formal terms of the plan, and for the implied projections as required under IAS 19R. These actuarial projections do not constitute a legal obligation for the Company.

Indemnity plan: According to paragraph 225 of Panama's Labor Code, in the case of unjustified dismissal the employee is entitled to an Indemnity Plan depending on their weekly salary and seniority. However, this benefit does not constitute a constructive obligation for the Company as described in paragraphs 61 and 62 of IAS19, therefore there is no obligation calculated for this benefit.

The following table summarizes the components of net benefit expense included under "Wages, salaries, benefits and other employees' expenses" in the accompanying consolidated statement of profit or loss:

Year ended December 31,2023	Defined benefit obligation	Fair value of assets	Defined benefit assets (liability)
Current service cost	$ 2,725	$ —	$ 2,725
Interest cost on net benefit obligation	1,715	(1,641)	74
Past service cost	13	—	13
Net periodic benefit cost (income)	$ 4,453	$ (1,641)	$ 2,812

Year ended December 31,2022	Defined benefit obligation	Fair value of assets	Defined benefit assets (liability)
Current service cost	2,860	$ —	$ 2,860
Interest cost on net benefit obligation	972	(722)	250
Past service cost	16	—	16
Net periodic benefit cost (income)	$ 3,848	$ (722)	$ 3,126

Year ended December 31,2021	Defined benefit obligation	Fair value of assets	Defined benefit assets (liability)
Current service cost	3,272	—	3,272
Interest cost on net benefit obligation	721	(472)	249
Past service cost	191	—	191
Net periodic benefit cost (income)	$ 4,184	$ (472)	$ 3,712

The following table shows reconciliation from the opening balance to the closing balances for net employee defined benefit liabilities and its components:

	Defined benefit obligation	Fair value of assets	Other employee benefits liability	Net defined benefit assets (liability)
At January 1, 2021	$ (39,466)	$ 25,783	$ (649)	$ (14,332)
Current service cost	(3,272)	—	—	(3,272)
Interest (cost) income	(721)	472	—	(249)
Past service cost	(191)	—	—	(191)
Curtailment / Settlement	—	—	—	—
Return on plan assets	—	416	—	416
Experience gain (loss)	602	—	—	602
Actuarial changes arising from changes in financial assumptions	4,411	—	—	4,411
Employer contributions	—	2,565	—	2,565
Benefits paid	1,622	(1,102)	—	520
Adjustments	2,422	—	—	2,422
Others	—	(721)	159	(562)
As of December 31, 2021	$ (34,593)	$ 27,413	$ (490)	$ (7,670)
Current service cost	(2,860)	—	—	(2,860)
Interest (cost) income	(972)	722	—	(250)
Past service cost	(16)	—	—	(16)
Return on plan assets	—	172		172
Experience gain (loss)	(3,959)	—	—	(3,959)
Actuarial changes arising from changes in financial assumptions	10,874	—	—	10,874
Employer contributions	—	3,911	—	3,911
Benefits paid	1,194	(869)	—	325
Others	—	(152)	129	(23)
As of December 31, 2022	$ (30,332)	$ 31,197	$ (361)	$ 504
Current service cost	(2,725)	—	—	(2,725)
Interest (cost) income	(1,715)	1,641	—	(74)
Past service cost	(13)	—	—	(13)
Return on plan assets	—	(251)		(251)
Experience gain (loss)	80	—	—	80
Actuarial changes arising from changes in financial assumptions	2,295	—	—	2,295
Employer contributions	—	4,572	—	4,572
Benefits paid	970	—	—	970
Others	—	—	(12)	(12)
As of December 31, 2023	$ (31,440)	$ 37,159	$ (373)	$ 5,346

As of December 31, 2023, and 2022, plan assets are comprised totally by fixed term deposits.

For the year ended December 31, 2023, actuarial gain of $2.1 million, (2022: actuarial gain of $7.2 million and 2021: actuarial loss of $5.4 million) were recognized in other comprehensive income.

During 2023 and 2022, the Company did not retire interest earned of the fund.

The following were the principal actuarial assumptions at the reporting date:

	2023	2022	2021
Economic assumptions -			
Discount rate	6.7%	5.9%	2.9%
Compensation - salary increase	4.0%	4.0%	4.0%
Demographic assumptions -			
Mortality		Panama expirence	
Termination		2003 SoA pension plan	
Retirement			
Males		62 years	
Females		57 years	

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	December, 31 2023		December, 31 2022		December, 31 2021	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	$ 1,296	$ (1,400)	$ 1,338	$ (1,451)	$ 1,876	$ (2,056)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following payments are expected contributions to the defined benefit plan in future years:

	2023	2022
Up to one year	$ 3,313	$ 2,532
One to five years	11,873	10,989
Over five years	18,878	16,847
Total expected payments	$ 34,064	$ 30,368

The average duration of the defined benefit plan obligation at the end of the reporting period is 8.3 years.

16. Intangibles

	Goodwill	Other intangibles assets: License and software rights	Other intangibles assets: Intangible in process	Total
Cost -				
Balance at January 1, 2021	$ 20,380	$ 156,008	$ 16,000	$ 192,388
Additions	—	1,694	9,897	11,591
Reclassifications	—	14,495	(14,495)	—
Balance at December 31, 2021	$ 20,380	$ 172,197	$ 11,402	$ 203,979
Additions	—	2,899	15,562	18,461
Disposals	—	(29,214)	—	(29,214)
Reclassifications	—	9,594	(9,594)	—
Balance at December 31, 2022	$ 20,380	$ 155,476	$ 17,370	$ 193,226
Additions	—	6,059	23,638	29,697
Disposals	—	—	—	—
Reclassifications	—	13,530	(13,530)	—
Balance at December 31, 2023	$ 20,380	$ 175,065	$ 27,478	$ 222,923
Accumulated amortization and impairment—				
Balance at January 1, 2021	$ —	$ (95,800)	$ (1,020)	$ (96,820)
Amortization for the year	—	(25,410)	—	(25,410)
Balance at December 31, 2021	$ —	$ (121,210)	$ (1,020)	$ (122,230)
Amortization for the year	—	(21,655)	—	(21,655)
Disposals	—	29,214	—	29,214
Balance at December 31, 2022	$ —	$ (113,651)	$ (1,020)	$ (114,671)
Amortization for the year	—	(20,266)	—	(20,266)
Disposals	—	—	—	—
Balance at December 31, 2023	$ —	$ (133,917)	$ (1,020)	$ (134,937)
Carrying amounts -				
At December 31, 2021	$ 20,380	$ 50,987	$ 10,382	$ 81,749
At December 31, 2022	$ 20,380	$ 41,825	$ 16,350	$ 78,555
At December 31, 2023	$ 20,380	$ 41,148	$ 26,458	$ 87,986

Goodwill

For impairment testing, goodwill acquired through business combinations is allocated to the air transportation CGU which is also the operating and reportable segment of the Company. Goodwill is tested for impairment annually at August, 31 and when circumstances indicate that the carrying value may be impaired.

The recoverable amount of the CGU of $6.2 billion (2022: $5.1 billion) has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15.8% (2022: 13.8%) and the cash flows beyond the five-year period are extrapolated using a 3.0% (2022: 3.0%) growth rate. It was concluded that no impairment charge is necessary since the estimated recoverable amount of the CGU exceed its carrying value.

The calculations of value in use of the CGU are sensitive to the following main assumptions:

- Revenue – the Company calculated the projected passenger revenue based on the current beliefs, expectations, and projections about future events and financial trends affecting its business.

- Cash flows – determination of the terminal value is based on the present value of the Company's cash flows in perpetuity. When estimating the cash flows for use in the residual value calculation, it is essential to clearly define the normalized cash flows level, the appropriate discount rate for the degree of risk inherent in that return stream, and a constant future growth rate for the related cash flows. To estimate the value, the Gordon Growth Model was used.

- Discount rates – The selected pre-tax rate of 15.8% represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segment and is derived from its pre-tax weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

  A rise in the discount rate to 26.4% (i.e., +10.6%) would result in an impairment.

Other intangible assets

Intangible assets in process

Intangible assets in process as of December 31, 2023 and 2022 mainly comprise the development of sales, revenues and operational systems and improvements.

During 2023, the Company capitalized $13.5 million (2022: $9.6 million) on sales and revenue systems.

17. Other assets

	2023	2022
Current -		
Interest receivable	$ 18,037	$ 10,554
Other	14,190	6,489
	32,227	17,043
Non-current -		
Guarantee deposits	4,605	5,493
Deposits for litigation	9,231	8,300
Other	3,212	3,212
	17,048	17,005
	$ 49,275	$ 34,048

Guarantee deposits are mainly amounts paid to suppliers, as required at the inception of the agreements.

Deposit for litigation is cash deposited into the escrow account until the related dispute is settled (see note 21).

18. Loans and borrowings

	2023		
	Due through	Effective rates ranged	Carrying Amount
Long term fixed rate debt	2034	1.73% to 3.99%	1,039,821
Long term variable rate debt	2033	6.53% to 6.86%	422,870
			1,462,691
Current maturities			(222,430)
Loans and borrowings long-term			$ 1,240,261

	2022		
	Due through	Effective rates ranged	Carrying Amount
Long-term fixed rate debt	2034	1.73% to 3.95%	983,138
Long-term variable rate debt	2029	4.97% to 6.35%	191,132
Senior convertible notes	2025	14.68%	270,033
			1,444,303
Current maturities			(142,484)
Loans and borrowings long-term			$ 1,301,819

Maturities of the loans and borrowings for the next five years are as follows:

2024	222,430
2025	227,628
2026	120,522
2027	128,653
2028	211,853
Thereafter	551,605
	$ 1,462,691

Senior convertible notes

In April 2020, the Company issued Senior Convertible Notes (“notes”) in the total principal amount of $350.0 million maturing on April 15, 2025, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”).

The notes were senior, unsecured obligations of the Company and were accrued interest at a rate of 4.50% per annum, payable semi-annually in arrears on April 15 and October 15 of each year.

Noteholders had the right to convert their notes only upon the occurrence of certain events. From and after October 15, 2024, noteholders could convert their notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company would have settled conversions by paying or delivering, as applicable, cash, shares of their Class A common stock or a combination of cash and shares of their Class A common stock, at the Company’s election. The initial conversion rate was 19.3564 shares per $1,000 principal amount of notes, which represents an initial conversion price of approximately $51.66 per share of Class A common stock subject to adjustment upon the occurrence of certain events.

The net proceeds from the offering, after deducting the initial purchasers' discounts, commissions and other transaction costs is as follows:

	Nominal issue	Cost assigned to the debt host liability	Net funding
Date			
April 30, 2020	$ 350,000	$ (7,102)	$ 342,898

The Company used the net proceeds from the offering for general corporate purposes.

The notes were redeemable, in whole or in part, for cash at the Company's option at any time, and from time to time, on or after April 17, 2023 and on or before the 40 days scheduled trading day immediately before the maturity date, but only if the last reported sale price per share of the Company's Class A common stock exceeds 130% of the conversion price for a specified period of time.

On July 14, 2023, the Company exercised its option, an announced it would redeem all of its outstanding Notes due 2025 on September 18, 2023 at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest up to, but excluding, the redemption date. The Notes could be converted at any time before 5:00 p.m., New York City time, on September 15, 2023, which was the business day immediately before the redemption date, in accordance with and subject to the terms of the Indenture governing the notes, dated as of April 30, 2020.

The Company, determined that the Notes surrendered for conversion would be settled in cash up to the principal amount of the Notes surrendered for conversion and shares of Company's common stock for the remainder of the conversion obligation, in excess of the principal amount in accordance with the terms of the Indenture.

The sending of the notice of redemption was a make-whole fundamental change under the Indenture, and therefore the conversion rate was increased for all conversions of Notes to 20.1603 shares of Company's common stock per $1,000.0 principal amount of Notes.

Since the Company's initial announcement of the redemption on July 14, 2023, holders of $349.0 million aggregate principal amount of Note converted their notes in accordance with the terms of the Notes. Outstanding Notes in the aggregate principal amount of $1.0 million that had not been converted by holders thereof were redeemed at a price equal to 100% of the principal amount of each Note called for redemption, payable in cash, plus accrued and unpaid interest on such Note to, but excluding, September 18, 2023 for such Note. The Notes that were converted were settled for $349.0 million in cash, plus approximately 3.7 million shares, reissued from the Company's treasury shares (see on note 24).

The exercise of the call option, resulted in a remeasured of the amortized cost of the liability component to reflect the new settlement date by recomputing the effective interest rate of the instrument. The Company recognized $87.9 million for this remeasure under "finance cost" in the consolidated statement of profit or loss. The component corresponding to the conversion feature of the notes was recorded as an embedded derivative under "Derivative financial instruments" in the consolidated statement of financial position. The fair value of the embedded derivative at initial recognition on April 30, 2020 was $138.4 million

The impact of the embedded derivative on the consolidated statement of financial position and consolidated statement of profit or loss is, as follows:

	Statement of financial position		Statement of profit or loss		
	2023	2022	2023	2022	2021
Derivative financial instrument	$ —	$ 251,150	$ (98,347)	$ 17,189	$ (22,778)

The impact in the consolidated statement of profit or loss, for the change in the fair value of the embedded derivative is recognized as "Net change in fair value of derivatives" in the consolidated statement of profit or loss(see note 28.6).

Long term debt and loan payable

As of December 31, 2023, long-term fixed rate debt included $623.2 million (2022: $516.5 million) and long-term variable debt included $422.9 million corresponding to aircraft acquisitions using JOLCO arrangements (2022: $157.8 million).

As of December 31, 2023 the Company had $416.6 million (2022: $466.6 million) on long-term fixed rate debt of outstanding indebtedness that is owed to financial institutions under financing arrangements guaranteed by the Export-Import Bank of the United States. The Export-Import Bank guarantees support 80%—85% of the net purchase price of the aircraft and are secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of Export-Import Bank.

The Company's Export-Import Bank supported financings are amortized on a quarterly basis and, are denominated in U.S. dollars.

The detail of finance cost and income is as follows:

	2023	2022	2021
Finance income -			
Interest income on short-term bank deposits	$ 1,541	$ 954	$ 211
Interest income on investment	48,667	17,076	10,638
	$ 50,208	$ 18,030	$ 10,849
Finance cost -			
Interests expense on bank loans	$ (41,917)	$ (30,502)	$ (26,817)
Interests expense on senior convertible notes	(87,862)	(42,403)	(38,301)
Interest on factoring	(3,315)	(5,393)	(1,365)
Interest expense on lease liabilities	(13,279)	(7,445)	(7,568)
Unwinding of discount and changes in the discount rate	(11,843)	(1,888)	(2,183)
	$ (158,216)	$ (87,631)	$ (76,234)

Changes in liabilities arising from financing activities:

			Non-cash movements			
	2022	Cash flows	Foreign exchange movement	Leases	Other	2023
Loans and borrowings	$ 1,444,303	$ (73,945)	$ —	$ —	$ 92,333	$ 1,462,691
Lease liability	238,373	(79,999)	448	124,835	—	283,657
Total liabilities used in financing activities	$ 1,682,676	$ (153,944)	$ 448	$ 124,835	$ 92,333	$ 1,746,348

			Non-cash movements			
	2021	Cash flows	Foreign exchange movement	Leases	Other	2022
Loans and borrowings	$ 1,425,633	$ (27,038)	$ —	$ —	$ 45,708	$ 1,444,303
Lease liability	178,651	(79,017)	(275)	139,014	—	238,373
Total liabilities used in financing activities	$ 1,604,284	$ (106,055)	$ (275)	$ 139,014	$ 45,708	$ 1,682,676

The column "Leases" includes the non-cash additions to ROU and lease liabilities.

For the year ended December 31, 2023 and 2022 the column "Other" includes the effect of accrued but not yet paid interest on loans and borrowings.

The Company classifies interest paid as cash flows from operating activities.

19. Trade, other payable and financial liabilities

	2023	2022
Accounts payable	$ 182,303	$ 166,660
Accounts payable to related parties	1,228	1,004
	183,531	167,664
Others	1,403	1,175
	$ 184,934	$ 168,839

See details of the account due to related parties in note 23.

20. Accrued expenses payable

	2023	2022
Accruals and estimations	$ 4,231	$ 4,167
Labor related provisions	53,510	34,423
Liability for social security contributions	7,018	6,323
Other	181	—
	$ 64,940	$ 44,913

As of December 31, 2023 and 2022, accruals and estimations include the estimated balance of the current portion of the long-term provisions (see note 21).

Labor related provisions include a profit-sharing program for both management and non-management staff. For members of management, profit-sharing is based on a combination of the Company's performance as a whole and the achievement of individual goals. Profit-sharing for non-management employees is based solely on the Company's performance. The accrual at year-end represents the amount expensed for the current year, which is expected to be settled within 12 months.

21. Other long – Term liabilities

	Provision for litigations	Provision for return condition	Dismantling provision	Other long-term liabilities	Total
Balance at January 1, 2022	$ 9,907	$ 174,269	$ 28,056	$ 12,553	$ 224,785
Increases	561	18,741	715	1,606	21,623
Used	(282)	—	—	(4,301)	(4,583)
Adjustment	—	(13,262)	(2,755)	—	(16,017)
Effect of movements in exchange rates	909	—	—	—	909
Unused amounts reversed	(961)	—	—	—	(961)
Unwinding of discount and changes in the discount rate	—	11,843	1,106	—	12,949
Balance at December 31, 2023	$ 10,134	$ 191,591	$ 27,122	$ 9,858	$ 238,705
Current	—	—	—	4,231	4,231
Non-current	10,134	191,591	27,122	5,627	234,474
	$ 10,134	$ 191,591	$ 27,122	$ 9,858	$ 238,705

Provision for litigation

Provisions for litigation in process and expected payments related to labor legal cases.

The Company is the plaintiff in an action in October 2003 against Empresa Brasileira de Infraestrutura Aeroportuária ("INFRAERO"), Brazil's airport operator, in regards to the legality of the Additional Airport Tariffs (*Adicional das Tarifas Aeroportuárias*, or ATAERO), which is a 50% surcharge imposed on all airlines which fly to Brazil. Similar suits have been filed against INFRAERO by other major airline carriers. In this case, the court of first a second instance ruled in favor of INFRAERO. The Company has paid the amounts due into an escrow account and as of December 31, 2023, the aggregate amount in such account totaled $8.4 million (2022: $8.2 million).

During 2024, the Company could be required to release the escrowed fund to INFRAERO once the company receives the formal final notification from the judge and confirmation of the amount. The Company does not, however, expect the release of such amounts could have a material impact on its financial results since these amounts already had been expensed.

Provision for return condition

For operating leases, the Company is contractually obliged to return aircraft in an agreed-upon condition. The Company accrues for return conditions related to aircraft held under operating leases throughout the duration of the lease. The Company does not plan to return aircraft in 2024.

During 2023, the Company adjusted $13.3 million of its provision for return condition due to renewals of aircraft contracts.

Dismantling provision

For leases under IFRS 16 the Company recognizes a dismantling provision to estimate the costs for work required to be performed just before the redelivery of the aircraft to the lessors and which does not depend of the aircraft utilization.

Other long-term liabilities

Other long-term liabilities include principally the provision for maintenance which mainly include the accrual of formal agreements with third parties for operational maintenance events. The cost of these agreements is billed by power by the hour and charged to the consolidated statement of profit or loss. As of December 31, 2023, the provision for maintenance amounts to $6.5 million (2022: $9.2 million) and the Company has presented the estimated balance of the current portion of this provision as "Accrued expenses payable" in the consolidated statement of financial position (see note 20).

Other long-term liabilities also include the provision for the non-compete agreement created for payment to senior management related to covenants not to compete with the Company in the future (relative to the $3.0 million trust fund). This provision is accounted for as "Other long-term employee benefits" under IAS 19R *Employee benefits*. The accrued amount is revalued annually using the projected benefit method as required by IAS 19R (see note 23 - Compensation of key management personnel).

22. Income taxes

	2023	2022	2021
Current taxes expense -			
Current period	$ (76,630)	$ (45,561)	$ (8,892)
Adjustment for prior period	18	626	2,397
	$ (76,612)	$ (44,935)	$ (6,495)
Deferred taxes expenses -			
Origination and reversal of temporary differences	(20,393)	4,759	(3,991)
Total income tax	$ (97,005)	$ (40,176)	$ (10,486)

As of December 31, 2023, the Panamanian subsidiaries calculated income tax in accordance with the traditional method.

In accordance with current tax regulations in Panama, income tax returns are subject to review by the tax authorities for up to the last three (3) years, including the ending period on December 31, 2023.

During the year 2023 and 2022, deferred tax expected to reverse in the next year, has been measured using the effective rate applying for Copa Airlines (25%) and AeroRepública (35%).

The balances of deferred taxes are as follows:

	Statement of financial position		Statement of profit or loss		
	2023	2022	2023	2022	2021
Deferred tax liabilities					
Maintenance deposits	$ (5,972)	$ (11,945)	$ (5,973)	$ (5,973)	$ (5,973)
Prepaid dividend tax	(30,984)	(5,801)	25,183	3,798	2,003
Property and equipment	389	944	555	558	606
Right of use assets	(17,136)	—	17,136	—	—
Other	(1,385)	(1,738)	(353)	(141)	379
Set off tax	18,719	1,969	(16,750)	(453)	(423)
	$ (36,369)	$ (16,571)	$ 19,798	$ (2,211)	$ (3,408)
Deferred tax assets					
Provision for return conditions	$ 11,521	$ 9,807	$ (1,714)	$ (1,243)	$ 4,101
Air traffic liability	2,089	2,686	597	(224)	24
Lease Liability	18,971	—	(18,971)	—	—
Other provisions	3,849	1,946	(1,903)	161	(1,485)
Tax loss	12,437	18,273	5,836	(1,695)	4,336
Set off tax	(18,719)	(1,969)	16,750	453	423
	$ 30,148	$ 30,743	$ 595	$ (2,548)	$ 7,399
	$ (6,221)	$ 14,172	$ 20,393	$ (4,759)	$ 3,991

At December 31, 2023, the deferred tax assets include tax losses carried forward of $7.6 million in Copa Airlines and $4.8 million in AeroRepública (December 2022: $11.4 million and $6.9 million respectively). The Company has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans for the subsidiary. Tax losses in Panama can be used for 5 years from the year the loss is incurred. The Company started utilizing these losses in 2021 and plans to continue using them until 2025. The Company plans to use the tax losses of AeroRepública within the next year.

Reconciliation of the effective tax rate is as follows:

	Tax rate	2023	Tax rate	2022	Tax rate	2021
Net profit		$ 514,097		$ 348,054		$ 43,844
Total income tax expense		97,005		40,176		10,486
Profit excluding income tax		611,102		388,230		54,330
Income taxes at Panamanian statutory rates	25.0 %	152,776	25.0 %	97,057	25.0 %	13,583
Stations - Taxable / Panama	(10.2 %)	(62,113)	(16.8 %)	(65,384)	15.4 %	8,379
Stations - Taxable / Non Panama	(0.7 %)	(4,414)	0.2 %	945	10.3 %	5,605
Stations - Non Taxable / Non Panama	(1.1 %)	(6,483)	(2.3 %)	(8,961)	(27.0 %)	(14,684)
Dividend tax	2.8 %	17,257	4.4 %	17,145	— %	—
Over provided in prior periods	— %	(18)	(0.1 %)	(626)	(4.4 %)	(2,397)
Provision for income taxes	15.9 %	$ 97,005	10.4 %	$ 40,176	19.3 %	$ 10,486

Global minimum tax

On 8 October 2021, 136 countries, including Panama, reached an agreement for a two-pillar approach to international tax reform. Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while the Pillar Two Global anti-Base Erosion rules (“GloBE Rules”) propose four new taxing mechanisms under which multinational enterprises (“MNEs”) would pay a minimum level of tax (“Minimum Tax”): the Subject to Tax Rule is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax; the Income Inclusion Rule (“IIR”); the Under Taxed Payments Rule (“UTPR”); and the Qualified Domestic Minimum Top-up Tax (“QDMT”) generally propose a Minimum Tax of 15% on the income arising in each jurisdiction in which an MNE operates.

Under IAS 12 Income Tax, a new tax law is effective when it is enacted or substantively enacted in a particular jurisdiction. The Company as MNE is monitoring the regulatory developments in respect of (substantive) enactment of the GloBE Rules in all of the jurisdictions where its operates either through wholly- or partially owned subsidiaries and, permanent establishments.

On December 18, 2023, Pillar Two legislation was enacted in Ireland, the jurisdiction in which the Company has special purpose vehicles that have a beneficial interest in some of the aircraft of the Company's fleet. The income inclusion rule (IIR) and qualified domestic minimum top-up tax (QDMTT) provisions will apply for fiscal years beginning on or after 31 December 2023. The undertaxed profits rule (UTPR) will apply for fiscal years beginning on or after 31 December 2024 and will come into effect from 1 January 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure. The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in this amendments.

At the date when the financial statements were authorized for issue, no other of the jurisdictions in which the Company operates had enacted or substantively enacted the tax legislation related to the top-up tax.

At December 31, 2023, the Company did not have sufficient information to determine the potential quantitative impact. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country.

23. Accounts and transactions with related parties

	2023	2022
Accounts receivable -		
Banco General, S.A.	$ 2,408	$ 1,960
Panama Air Cargo Terminal	119	208
	$ 2,527	$ 2,168
Accounts payable -		
Assa Compañía de Seguros, S.A.	496	765
Desarrollos Inmobiliarios del Este, S.A.	19	51
Panama Air Cargo Terminal	658	141
Galindo, Arias & López	24	28
Motta Internacional, S.A.	13	14
GBM International, Inc.	5	5
	$ 1,228	$ 1,004

COPA HOLDINGS, S. A. AND SUBSIDIARIES

Notes to the consolidated financial statements

Transactions with related parties for the year ended December 31 are as follows:

Related party	Transaction	Amount of transaction 2023	Amount of transaction 2022	Amount of transaction 2021
ASSA Compañía de Seguros, S.A.	Insurance	12,116	10,157	9,713
Desarrollo Inmobiliario del Este, S.A.	Property leasing	3,564	2,989	3,384
Profuturo Administradora de Fondos de Pensión y Cesantía	Payments	4,572	3,911	2,565
Panama Air Cargo Terminal	Handling	3,889	4,116	3,193
Motta International	Purchase	1,013	812	108
Galindo, Arias & López	Legal services	407	530	170
GBM International, Inc.	Technological support	51	50	102
Global Brands, S.A.	Purchase	83	60	31
Banco General, S.A.	Interest income,net	$ (2,368)	$ (829)	$ (1,546)

Banco General, S.A.: some members of the Company's Board of Directors are also board members of BG Financial Group, which is the controlling company of Banco General. Likewise, Banco General, S. A. owns ProFuturo Administradora de Fondos de Pensión y Cesantía S.A., which manages the Company's reserves for pension purposes. As of December 31, 2023 the Company has interest receivable by $1.8 million (2022: $0.1 million) due to short and long term time deposits in this financial institution.

Also Banco General is a non air partner of the Copa's loyalty program "ConnectMiles". During, 2023 the Company sold miles to Banco General for $24.9 million (2022: $18.9 million, 2021: $13.8 million).

ASSA Compañía de Seguros, S. A.: An insurance company that provides substantially all of the Company's insurance policies. While the Company's controlling shareholders do not hold a controlling equity interest in ASSA Compañía de Seguros, S. A., various members of the Company's Board of Directors are also board members of ASSA Compañía de Seguros, S. A.

Desarrollo Inmobiliario del Este, S. A.: The Company leases four floors consisting of approximately 105,981 square feet of the building from Desarrollo Inmobiliario, an entity controlled by the same group of investors that controls Corporación de Inversiones Aéreas, S. A. ("CIASA"). CIASA owns 100% of the class B shares of the Company. This contract is a lease under IFRS 16.

Panama Air Cargo Terminal: Provides cargo and courier services in Panama, an entity controlled by the same group of investors that controls CIASA.

Motta Internacional, S.A. & Global Brands, S. A.: The Company purchases most of the alcohol and other beverages served on its aircraft from Motta Internacional, S. A. and Global Brands, S. A., both of which are controlled by the Company's controlling shareholders.

Galindo, Arias & López: Certain partners of Galindo, Arias & López (a law firm) are indirect shareholders of CIASA.

GBM International, Inc.: Provides systems integration and computer services, as well as technical services and enterprise management. A member of the Company's Board of Directors is shareholder of GBM International, Inc.

Televisora Nacional, S.A.: This Panamanian television channel provides broadcasting services. A member of the Company's Board of Directors is a shareholder of Televisora Nacional, S. A.

Compensation of key management personnel

Key management personnel compensation is as follows:

	2023	2022	2021
Short-term employee benefits	$ 4,975	$ 2,901	$ 2,748
Post-employment pension	96	56	53
Share-based payments	1,548	318	1,083
	$ 6,619	$ 3,275	$ 3,884

The Company has not set aside any additional funds for future payments to executive officers, other than one pursuant to a non-compete agreement for $3.0 million established in 2006 (see note 21).

24. Equity

Common stock

The authorized capital stock consists of 80 million shares of common stock without par value, divided into Class A shares, Class B shares, and Class C shares. As of December 31, 2023, the Company had 34,110,338 Class A shares issued (2022: 34,033,575) and 31,101,689 shares outstanding (2022: 28,477,704), 10,938,125 Class B shares issued and outstanding (2022: 10,938,125) and no Class C shares outstanding. Class A and Class B shares have the same economic rights and privileges, including the right to receive dividends.

- Class A shares

The holders of the Class A shares are not entitled to vote at our shareholders' meetings, except in connection with the following specific matters: (i) a transformation of the Company into another corporate type; (ii) a merger, consolidation, or spin-off of the Company, (iii) a change of corporate purpose; (iv) voluntarily delisting Class A shares from the NYSE; (v) and any amendment to the foregoing special voting provisions adversely affecting the rights and privileges of the Class A shares.

- Class B shares

Every holder of Class B shares is entitled to one vote per share on all matters for which shareholders are entitled to vote. The Class B shares may only be held by Panamanians, and upon registration of any transfer of a Class B share to a holder that does not certify that it is Panamanian, such Class B share shall automatically convert into a Class A share.

Transferees of Class B shares will be required to deliver to the Company a written certification of their status as Panamanian as a condition to registering the transfer to them of Class B shares.

- Class C shares

The Independent Directors Committee of the Board of Directors, or the Board of Directors as a whole if applicable, is authorized to issue Class C shares to the Class B holders pro rata in proportion to such Class B holders' ownership of Copa Holdings. The Class C shares will have no economic value and will not be transferable except to Class B holders, but will possess such voting rights as the Independent Directors Committee shall deem necessary to ensure the effective control of the Company by Panamanians.

The Class C shares will be redeemable by the Company at such time as the Independent Directors Committee determines that such a triggering event shall no longer be in effect. The Class C shares will not be entitled to any dividends or any other economic rights.

Class A shares are listed on the NYSE under the symbol "CPA" The Class B shares and Class C shares will not be listed on any stock exchange unless the Board of Directors determines that it is in the best interest of the Company to list the Class B shares on the Panama Stock Exchange.

Dividends

The payment of dividends on shares is subject to the discretion of the Board of Directors. Under Panamanian law, the Company may pay dividends only out of retained earnings and capital surplus. The Articles of Incorporation provides that all dividends declared by the Board of Directors will be paid equally with respect to all of the Class A and Class B shares.

In February 2016, the Board of Directors of the Company approved to change the dividend policy to base the calculation of the payment of yearly dividends to shareholders in an amount of up to 40% of the prior year's annual consolidated underlying net income, distributed in equal quarterly installments upon board ratification.

On April 26, 2020 the Board of Directors postponed dividend payments given the uncertainty related to the Covid-19 pandemic, during the years 2021 and 2022.

On March 22, 2023, the Board of Directors of the Company approved a 2023 dividend of $0.82 cents per share per quarter of 2023.

Treasury stock

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable cost net of any tax effects, is recognized as a deduction from equity and presented separately in the balance sheet. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

Since treasury stock is not considered outstanding for share count purposes, it is excluded from average common shares outstanding for basic and diluted earnings per share.

In November, 2014, the Board of Directors of the Company approved a $250.0 million share repurchase program. Subsequently, during the second quarter of 2022, the Board approved the expansion of the current shares repurchase program by $200.0 million.

In October 2023, the Company completed its previously disclosed Share Repurchase Program and on November 15, 2023, the board of directors of the Company approved a new $200.0 million Share Repurchase Program.

Purchases will be made from time to time, subject to market and economic conditions, applicable legal requirements, and other relevant factors.

On September 18, 2023, the Company settled the notes issued in April 2020. The Notes that were converted were settled for $349.0 million in cash, plus approximately 3.7 million shares, reissued from the Company's treasury shares (see Note 18).

The movement of the treasury shares is as follow:

	Shares	Cash paid
At January 1, 2022	2,869,517	$ (176,902)
Acquisition of treasury shares	2,571,917	(167,639)
At December 31, 2022	5,441,434	(344,541)
Acquisition of treasury shares	1,141,316	(105,932)
Share settlement convertible notes	(3,694,845)	246,343
At December 31, 2023	2,887,905	$ (204,130)

A summary of the total shares repurchased by the Company through December 31, 2023 is as follows:

	Shares	Cash paid
2014	182,592	$ (18,506)
2015	2,127,900	(117,882)
2021	559,025	(40,514)
2022	2,571,917	(167,639)
2023	1,141,316	(105,932)
	6,582,750	$ (450,473)

25. Share-based payments

The Company has established equity compensation plans under which it administers restricted stock, stock options, and certain other equity-based awards to attract, retain, and motivate executive officers, certain key employees, and non-employee directors to compensate them for their contributions to the growth and profitability of the Company. Shares delivered under this award program may be sourced from treasury stock, or authorized unissued shares.

The Company's equity compensation plans are accounted for under IFRS 2 *Share-Based Payment* ("IFRS 2"). IFRS 2 requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award or at fair value of the award at each reporting date, depending on the type of award granted. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period.

The total compensation cost recognized for non-vested stock awards amounts to $4.4 million, $5.2 million, and $7.1 million in 2023, 2022, and 2021, respectively, and was recorded as a component of "Wages, salaries, benefits and other employees' expenses" within operating expenses.

A summary of the terms and conditions, properly approved by the Compensation Committee of our Board of Directors, relating to the grants of the non-vested stock award under share-based payments plans is as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life
February, 2018	1,316	15% first three anniversaries 25% fourth 30% fifth anniversary	5 years
February, 2019	15,951	1% first month 33% first three anniversaries	3 years
June, 2019	9,256	33% first three anniversaries	3 years
June, 2019	977	33% first three anniversaries	3 years
August, 2019	1,039	33% first three anniversaries	3 years
February, 2020	24,650	1% first month 33% first three anniversaries	3 years
February, 2021	32,852	20% first five anniversaries	5 years
February, 2021	103,802	33% first three anniversaries	3 years
April, 2021	1,145	33% first three anniversaries	3 years
February, 2022	13,943	33% first three anniversaries	3 years
June, 2022	20,368	33% first three anniversaries	3 years
June, 2022	994	33% first three anniversaries	3 years
February, 2023	30,567	33% first three anniversaries	3 years
June, 2023	10,809	33% first three anniversaries	3 years
September, 2023	634	33% first three anniversaries	3 years

Non-vested stock awards were measured at their fair value on the grant date. For the 2023 grants, the fair value of these non-vested stock awards amounts to $91.69 per share (2022: $71.59).

A summary of the non-vested stock award activity under the plan as of December 31, 2023, 2022 and 2021 with changes during these years is as follows (in number of shares):

	2023	2022	2021
Non-vested as of January 1	138,243	157,823	153,921
Granted	42,010	35,305	137,799
Vested	(59,066)	(54,501)	(132,880)
Forfeited	(443)	(384)	(1,017)
Non-vested as of December 31	120,744	138,243	157,823

The Company uses the accelerated attribution method to recognize the compensation cost for awards with graded vesting periods. The Company estimates that the remaining compensation cost, not yet recognized for the non-vested stock awards, amounts to $3.1 million (2022: $3.7 million), with a weighted average remaining contractual life of 2.0 years years (2022: 2.2 years). Additionally, the Company estimates that the 2024 compensation cost related to these plans amounts to $2.2 million.

The Company plans to make additional equity-based awards under the plan from time to time, including additional non-vested stock and stock option awards. The Company anticipates that future employee non-vested stock and stock option awards granted pursuant to the plan will generally vest over a three to five-year period and the stock options will carry a ten-year term.

26. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year, increased by the number of non-vested dividend participating share-based payment awards outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, when the effect of their inclusion is dilutive (decreases earnings per share or increases loss per share).

The computation of the income and share data used in the basic and diluted earnings per share is as follows:

	2023	2022	2021
Basic earnings per share—			
Net profit	$ 514,097	$ 348,054	$ 43,844
Weighted-average shares outstanding	40,105	40,445	42,439
Non-vested dividend participating awards	123	136	162
	40,228	40,581	42,601
	12.78	8.58	1.03
Diluted earnings per share—			
Net profit	$ 514,097	$ 348,054	$ 43,844
Interest on convertible senior notes	—	42,403	—
Net change in fair value of derivatives	—	(17,189)	—
Net profit income adjusted for the effect of dilution	514,097	373,268	43,844
Weighted-average shares outstanding	40,228	40,581	42,601
Convertible shares	—	6,775	—
	40,228	47,356	42,601
	12.78	7.88	1.03

As of December 31, 2023, the Company doesn’t have any outstanding transaction involving potential ordinary shares. On September 18, 2023, the Company settled the notes issued in April 2020 (see Note 18).

At December 31, 2021, 6.7 million of shares of potential ordinary shares related to the convertible notes issued on 2020 and its related expenses, were excluded from the calculation of diluted earnings per share, because their effect was antidilutive.

27. Commitments and contingencies

Purchase contracts

As of December 31, 2023, the Company had one purchase contract with Boeing entailing 57 firm orders of Boeing 737 MAX aircraft, agreed to be delivered between 2024 and 2028. Also, the Company has agreed to purchase and take delivery between 2024 and 2028,of — LEAP-1B spare Engines from CFM International.

The aircraft and engines contractual obligations net of discounts and pre-delivery payments, including estimated amounts for contractual price escalation, are as follows:

Year ending December 31,	
2024	469,096
2025	762,389
2026	583,561
2027	539,680
2028	420,981
	$ 2,775,707

As of December 31, 2023, the Company has paid $689.1 million (2022: $720.5 million) in predelivery deposits related to the purchase contract with Boeing for the 737 MAX aircraft.

Labor unions

Approximately 64.2% of the Company's 7,625 employees are unionized. There are currently nine (9) union organizations, five (5) covering employees in Panama, and four (4) covering employees in Colombia. The Company traditionally had good relations with its employees and with all the unions and expects to continue to enjoy good relations with its employees and the unions in the future.

The five (5) unions covering employees in Panama include the pilots' union (UNPAC); the flight attendants' union (SIPANAB); the mechanics' union (SITECMAP), the industry union (SIELAS), which represents ground personnel, messengers, drivers, passenger service agents, counter agents, and other non-executive administrative staff, and other industry union named UGETRACAS which represents ground personnel and flight attendants.

Copa Airlines entered into collective bargaining agreements with the flight attendants' union in March 2023, the pilot's union in February 2023, the mechanics' union in May 2022 and the industry union in March 2022. Copa Airlines does not have a collective bargain agreement negotiated with UGETRACAS, an aviation industry union in Panama, because they do not have the eligible amount of employees. Collective bargaining agreements in Panama typically have terms of 4 years.

The four (4) unions covering employees in Colombia are: the pilots' union (ACDAC), the flight attendants' union (ACAV), the industry union (SINTRATAC), the mechanics'union (ACMA), approximately 29.4% of the Company's 625 employees are unionized.

AeroRepública entered into collective bargaining with ACDAC and ACAV in January 2018. ACDAC has not yet resolved and intends to enter into a new collective bargaining in 2024. ACAV ended with a new arbitration collective document for two years that expired in September 2020. This arbitration was automatically extended until March 2024. Additionally, SINTRATAC and AeroRepública entered into collective bargaining agreement in September 2022 for terms of four years until August 2026. Negotiations with ACMA were resolved by arbitration on December 31, 2015, extending the validation every 6 months from this date, until June, 2024. ACMA has not presented a new bill of petition.

Typically, collective bargaining agreements in Colombia have terms of two to three years. Although AeroRepública usually settles many of its collective bargaining agreement negotiations through arbitration proceedings, it has traditionally experienced good relations with its unions.

In addition to unions in Panama and Colombia, the Company's employees in Brazil are covered by industry union agreements that cover all airline industry employees in the country and airport employees in Argentina are affiliated to an industry union (UPADEP).

Lines of credit for working capital and letters of credit

The Company maintained letters of credit with several banks with a value of $31.3 million as of December 31, 2023 (2022: $32.3 million). These letters of credit are pledged mainly for operating lessors, maintenance providers and airport operators.

The Company has aggregate unsecured credit facilities of $325.0 million (2022: 355.0 million). These credit facilities are in place for contingency and working capital purposes. As of December 31, 2023, the Company does not have any outstanding borrowings under these credit facilities.

Tax audit

The Company received notifications from the tax authorities in Panama on February 2020 and in Colombia on November 2020 and March 2016. The Company, along with its tax advisors, has concluded that it is not probable that an outflow of resources embodying economic benefits will be required to settle them, especially considering that the Company has enough arguments to support its position and also taking into consideration that both cases are in the preliminary stages.

In February 2020, the Company received two notifications from the tax authority in Panama related to a tax audit process that began in 2019. The notification includes potentially significant adjustments to the reported dividend tax for the years 2012 to 2016 and income tax 2016. The Company has filed an administrative appeal which is the first legal stage under Panamanian laws. The Company, along with its tax advisors, has concluded that is probable that the Company's tax position will be upheld. As a result, is not probable that the Company will incur any significant additional tax as result. According to Panamanian laws, the statute of limitations is 3 and 15 years for income tax and dividend tax, respectively.

28. Financial instruments - Risk management and fair value

In the normal course of its operations, the Company is exposed to a variety of financial risks: market risk (especially cash flow, currency, commodity prices and interest rate risk), credit risks and liquidity risk.

In terms of equity, the Company’s objectives when managing equity are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal equity structure to reduce the cost of capital.

The Company has established risk management policies to minimize potential adverse effects on the Company’s financial performance:

28.1. Fuel price risk

The Company has risks that are common in its industry, related to the price level of aircraft fuel, which can significantly affect its operations, financial position and liquidity.

In the past the Company has entered into financial derivative contracts in an effort to mitigate this risk, but with inconsistent results. The Company has not entered into new fuel hedge contracts, and has adopted a new strategy of remaining unhedged, while regularly reviewing its policies based on market conditions and others factors. As of December 31, 2023 and 2022, the Company did not have any outstanding fuel hedge contracts.

Fuel price risk is estimated as a hypothetical 10% increase in the December 31, 2023 cost per gallon of fuel. Based on projected 2023 fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately $89.1 million in 2024 (unaudited).

28.2. Market risk

Equity price risk

The Company’s listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions. At the reporting date, the exposure on investments at fair value is $102.1 million (2022: 95.5 million).

Foreign currency risk

Foreign exchange risk is originated when the Company performs transactions and maintains monetary assets and liabilities in currencies that are different from the functional currency of the Company. Assets and liabilities in foreign currency are translated using the exchange rates at the end of the period, except for non-monetary assets and liabilities that are translated at the equivalent cost of the U.S. dollar at the acquisition date and maintained at the historical rate. The results of foreign operations are translated using the average exchange rates that were in place during the period. Gains and losses deriving from exchange rates are included within “(Loss) Gain on foreign currency fluctuations” in the consolidated statement of profit or loss.

The majority of the Company’s obligations are denominated in U.S. dollars. Since Panama uses the U.S. dollar as legal tender, the majority of the Company’s operating expenses are also denominated in U.S. dollars, approximately 64.3% of revenues and 79.2% of expenses, for the year ended 2023.

A significant part of our revenue is denominated in the following foreign currencies:

	2023	2022
	%	%
U.S. dollars	64.3 %	63.3 %
Foreign currencies -		
Colombian peso	10.0 %	12.1 %
Brazilian real	7.7 %	8.0 %
Argentinian peso	5.1 %	4.6 %
Chilean peso	3.1 %	3.2 %
Mexican peso	3.5 %	2.6 %
Other currencies	6.3 %	6.2 %
	100.0 %	100.0 %

Generally, the Company's exposure to most of these foreign currencies, is limited to the period of up to two weeks between the completion of a sale and the conversion to U.S. dollar. The following chart summarizes the Company's foreign currency risk exposure (assets and liabilities denominated in foreign currency) as of December 31:

	2023	2022
Assets		
Cash and cash equivalents	$ 15,858	$ 13,546
Accounts receivable, net	108,767	48,900
Other assets	25,707	20,605
Total assets	$ 150,332	$ 83,051
Liabilities		
Accounts payable	53,393	16,969
Taxes payable	38,157	38,303
Other liabilities	16,543	13,465
Total liabilities	$ 108,093	$ 68,737
Net position	$ 42,239	$ 14,314

From time to time the Company enters into factoring agreements on receivables outstanding on credit card sales in certain countries.

28.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with banks and investments in financial instruments and from its accounts receivable. IFRS 9 requires the Company to recognize an allowance for ECLs for all financial assets not held at fair value through profit or loss.

The carrying amounts of financial assets represent the maximum credit risk.

Short and long-term investments

To mitigate the credit risk arising from deposits in bank, the Company only conducts business with financial institutions that have an investment grade above BBB- from Standard & Poor's and liquidity indicators aligning with or above the market average. For the investments in financial instruments, different from deposits in bank, the Company requires a grade above A- from Standard & Poor's.

The Company has established a policy to perform an assessment, at the end of each quarterly reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by monitoring changes in credit risk ratings published by Standard & Poor's.

As the financial instruments are considered to be low risk, the impairment provision is determined at 12-month ECLs using the general approach as prescribed by IFRS 9.

The movement in the allowance for impairment for short and long-term investments at amortized cost for the year ended December 31 was as follows:

	2023	2022
Balance at beginning of year	$ (2,955)	$ (1,312)
(Additions) / Reversal	697	(1,643)
Balance at end of year	$ (2,258)	$ (2,955)

Accounts receivable

Regarding credit risk originating from commercial accounts receivable, the Company does not consider it significant since most of the accounts receivable can be easily converted into cash, usually in periods no longer than one month. The risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Specific credit limits and payment terms have been established according to periodic analysis of the client's payment capacity.

A considerable amount of the Company's tickets sales are processed through major credit cards, resulting in accounts receivable that are generally short-term and usually collected before revenue is recognized. The Company considers that the credit risk associated with these accounts receivable is controllable based on the industry's trends and strong policies and procedures established and followed by the Company.

As a result of the previously explained, the Company evaluates the concentration of risk with respect to trade receivables as low.

An impairment analysis is performed at each quarterly reporting date using a provision matrix to measure expected credit losses. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the day past due.

Loss rates are based on actual credit loss experience over the last 12 months and adjusted for forward-looking factors specific to the debtors and the economic environment over the expected life of the receivables.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as of December 31:

	2023					
		Days past due				
	Total	Current	<30	30-60	60-90	>90
Expected credit loss rate		0.0%	8.8%	9.0%	24.4%	53.9%
Gross carrying amount	$162,544	$153,289	$2,487	$1,174	$258	$5,336
Expected credit loss	$3,297	$35	$218	$106	$63	$2,875

	2022					
		Days past due				
	Total	Current	<30	30-60	60-90	>90
Expected credit loss rate		0.0%	5.9%	13.1%	30.5%	57.3%
Gross carrying amount	$145,273	$127,412	$2,877	$2,134	$545	$12,305
Expected credit loss	$7,690	$28	$170	$279	$166	$7,047

28.4. Interest rates and cash flow risk

The income and operating cash flows of the Company are substantially independent of changes in interest rates, because the Company does not have significant assets that generate interest except for surplus cash and cash equivalents and short and long-term investments.

Interest rate risk originates mainly from long-term debt related to aircraft financing. These long-term lease payments at variable interest rates expose the Company to cash flow risk. The Company mitigates this risk by entering into fixed rate financing agreements in at least half of its outstanding debt.

During 2023, the Company finish the process of implementing appropriate fall back clauses for its long term variable rate debt based of LIBOR and incorporated the new benchmark based on SOFR.

As of December 31, 2023, fixed interest rates range from 1.73% to 3.99%, and the main floating rate is SORF.

The Company's earnings are affected by changes in interest rates primarily due to the impact of those changes on interest expenses from variable-rate debt instruments. As of December 31, 2023 we had $1,039.8 million of fixed-rated debt and $422.9 million of variable-rated debt. If the interest rate average is 100 basis points more in 2024 than 2023, the variable-rate debt interest expense would increase by approximately $4.2 million, and the estimated fair value of the fixed-rate debt would increase by approximately $16.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the variable-rate debt and marketable securities equivalent balances at December 31, 2023.

28.5. Liquidity risk

The Company's policy requires having sufficient cash to fulfill its obligations. The Company maintains sufficient cash on hand and in banks or cash equivalents that are highly liquid. The Company also has credit lines in financial institutions that allow it to withstand potential cash shortages to fulfill its short-term commitments (see note 27).

The table below summarizes the Company's financial liabilities according to their maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

December 31, 2023

	Note	Carrying amount	Contractual cash flow	Less than twelve months	Between 1 and 4 years	More than 4 years
Non-derivative financial liabilities						
Loans and borrowings	18	$ 1,462,691	$ 1,624,325	$ 256,216	$ 780,090	$ 588,019
Lease liability	14	283,657	322,858	80,513	195,340	47,005
Account payable	19	182,303	182,303	182,303	—	—
Account payable to related parties	19	1,228	1,228	1,228	—	—
		$ 1,929,879	$ 2,130,714	$ 520,260	$ 975,430	$ 635,024

December 31, 2022

	Note	Carrying amount	Contractual cash flow	Less than twelve months	Between 1 and 4 years	More than 4 years
Non-derivative financial liabilities						
Loans and borrowings	18	$ 1,444,303	$ 1,538,467	$ 167,759	$ 920,846	$ 449,862
Lease liability	14	238,373	341,847	106,076	195,253	40,518
Account payable	19	166,660	166,660	166,660	—	—
Account payable to related parties	19	1,004	1,004	1,004	—	—
		$ 1,850,340	$ 2,047,978	$ 441,499	$ 1,116,099	$ 490,380

28.6. Fair value measurement

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company’s financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Note	Carrying amount		Fair Value	
		2023	2022	2023	2022
Financial assets					
Long-term investments	9	258,934	202,056	260,534	201,061
Financial liabilities					
Loans and borrowings	18	1,462,691	1,444,303	1,494,124	1,559,435

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The management assessed that the fair values of cash and short-term investments, accounts receivables, account payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date.
- Debt obligations, financial assets, and financial liabilities are estimated by discounting future cash flows using the Company’s current incremental borrowing for a similar liability.

The following chart summarizes the Company’s financial instruments measured at fair value, classified according to the valuation method:

	Fair value measurement as of reporting date			
	2023	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Assets				
Investment fund	102,063	102,063	—	—
Total assets	$ 102,063	$ 102,063	$ —	$ —

	Fair value measurement as of reporting date			
	2022	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Assets				
Investment fund	95,474	95,474	—	—
Total assets	$ 95,474	$ 95,474	$ —	$ —
Liabilities				
Derivative financial instruments	251,150	—	251,150	—
Total liabilities	$ 251,150	$ —	$ 251,150	$ —

Derivative financial instruments are valued by the Company, using a Least Square Monte Carlo pricing method by modelling the different triggers under which the notes can be converted. The market data used to calibrate the model are historical volatility measures based on stock prices of the Company obtained from Bloomberg and a zero-coupon interest rate curve in US$ (US$ Libor 3m Swap curve).

29. Subsequent events

Dividends

On February 7, 2024, the Board of Directors of Copa Holdings approved a 2024 dividend of $1.61 cents per share per quarter, corresponding to 40% of the adjusted consolidated net income of 2023. Proposed dividends are subject to board ratification each quarter, and are not recognized as a liability as at December 31, 2023.

Stock Grants

During the first quarter of 2024, the Compensation Committee of the Company's Board of Directors approved 3 awards. Awards under these plans will grant approximately 50,176 shares of non-vested stock, which will vest over a period of three years. The Company estimates the fair value of these awards to be approximately $5.0 million and the 2024 compensation cost for these plans will be $2.3 million.

737 MAX fleet

During the month of January of 2024 the Company suspended operations of twenty-one 737 MAX9 aircraft, following the Airworthiness Directive issued by the United States Federal Aviation Administration (FAA) on January 6. From January 6 to January 29, a total of 1,788 flights were cancelled. After undergoing the technical inspections required by the regulators, all of these aircraft returned to Copa Airlines' flight schedule.

The Company is in the process of reaching an agreement with Boeing regarding compensation related to the grounding of the Boeing 737 MAX. In accordance with applicable accounting principles, the Company expect to booked any compensation received from Boeing as a reduction of the cost basis of the aircraft. The agreement is expected to be signed during the second quarter of 2024.

EXHIBIT 12.1

Certification

I, Pedro Heilbron, certify that:

1. I have reviewed this annual report on Form 20-F of Copa Holdings, S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

/s/ Pedro Heilbron

Pedro Heilbron
Chief Executive Officer

(Section 302 CEO Certification)

EXHIBIT 12.2

Certification

I, Jose Montero, certify that:

1. I have reviewed this annual report on Form 20-F of Copa Holdings, S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

/s/ Jose Montero

Jose Montero
Chief Financial Officer

(Section 302 CFO Certification)

EXHIBIT 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Copa Holdings, S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2023 of the Company fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2024

/s/ Pedro Heilbron

Pedro Heilbron
Chief Executive Officer

(Section 906 CEO Certification)

EXHIBIT 13.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Copa Holdings, S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2023 of the Company fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2024

/s/Jose Montero

Jose Montero
Chief Financial Officer

(Section 906 CFO Certification)

EXHIBIT 97.1

COPA HOLDINGS - POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Purpose. The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to the Company in accordance with the Clawback Rules. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement and Acceptance Form attached hereto as Exhibit A pursuant to which such Executive Officer will acknowledge that he or she is bound by the terms of this Policy; provided, however, that this Policy shall apply to, and be enforceable against, any Executive Officer and his or her successors (as specified in Section 11 of this Policy) regardless of whether or not such Executive Officer properly signs and returns to the Company such Acknowledgement and Acceptance Form and regardless of whether or not such Executive Officer is aware of his or her status as such.

2. Administration. Except as specifically set forth herein, this Policy shall be administered by the Administrator. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by this Policy. Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "***Accounting Restatement***" shall mean an accounting restatement: (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement); or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) "***Administrator***" shall mean the Compensation Committee, or any other committee designated by the Board to administer the Policy, and in the absence of such designation, the Board.

(c) "***Board***" shall mean the Board of Directors of the Company.

(d) "***Clawback Eligible Incentive Compensation***" shall mean, with respect to each individual who served as an Executive Officer at any time during the applicable Performance Period, all Incentive-based Compensation Received by such individual: (i) on or after the Effective Date; (ii) after beginning service as an Executive Officer; (iii) while the Company has a class of securities listed on the Listing Exchange; and (iv) during the applicable Clawback Period.

(e) "***Clawback Period***" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(f) "***Clawback Rules***" shall mean Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC thereunder (including Rule 10D-1 under the Exchange Act) or the Listing Exchange pursuant to Rule 10D-1 under the Exchange Act (including Section 303A.14 of the New York Stock Exchange Listed Company Manual), in each case as may be in effect from time to time.

(g) "***Committee***" shall mean the Compensation Committee of the Board.

(h) "***Company***" shall mean Copa Holdings, S.A. (and as the Administrator determines is applicable, together with each of its direct and indirect subsidiaries).

(i) "***Effective Date***" shall mean October 2, 2023. The Policy will apply to incentive-based compensation received by Executive Officers on or after October 2, 2023.

(j) "***Erroneously Awarded Compensation***" shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Clawback Eligible Incentive Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(k) "***Executive Officer***" shall mean any individual who is or was an executive officer as determined by the Administrator in accordance with the definition of "executive officer" as set forth in the Clawback Rules and any other senior executive, employee or other personnel of the Company who may from time to time be deemed subject to the Policy by the Administrator. For the avoidance of doubt, the Administrator shall have full discretion to determine which individuals in the Company shall be considered an "Executive Officer" for purposes of this Policy. A list of (i) executive officers and (ii) individuals who are not "executive officers" within the meaning of the Clawback Rules, but whom the Administrator has determined are "Executive Officers" for purposes of this policy, is set forth in Exhibit B, which may be revised from time to time at the sole discretion of the Administrator.

(l) "***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(m) "***Financial Reporting Measures***" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

(n) "***Incentive-based Compensation***" shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(o) "***Impracticable***" shall mean, in accordance with the good faith determination of the Committee, or if the Committee does not consist of independent directors, a majority of the independent directors serving on the Board, that either: (i) the direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such reasonable attempt(s) and provided such documentation to the Listing Exchange; (ii) recovery would violate Panamanian law where that law was adopted prior to November 28, 2022, provided that, before concluding that it would be Impracticable to recover any amount of Erroneously Awarded Compensation based on violation of Panamanian law, the Company has obtained an opinion of Panamanian counsel, acceptable to the Listing Exchange, that recovery would result in such a violation and a copy of the opinion is provided to the Listing Exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

(p) "***Listing Exchange***" shall mean the New York Stock Exchange or such other U.S. national securities exchange or national securities association on which the Company's securities are listed.

(q) "***Method of Recovery***" shall include, but is not limited to: (i) requiring reimbursement of Erroneously Awarded Compensation; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards; (iii) offsetting the Erroneously Awarded Compensation from any compensation otherwise owed by the Company to the Executive Officer; (iv) cancelling outstanding vested or unvested equity awards; and/or (v) taking any other remedial and recovery action permitted by applicable law, as determined by the Administrator.

(r) "***Performance Period***" shall mean, the period during which each individual who served as an Executive Officer was entitled to any Incentive-based Compensation (whether or not such individual is serving as an Executive Officer at the time the Erroneously Awarded Compensation is required to be repaid to the Company).

(s) "***Policy***" shall mean this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time.

(t) "***Received***" shall, with respect to any Incentive-based Compensation, mean deemed receipt and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

(u) "***Restatement Date***" shall mean the earlier to occur of: (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

(v) "***SEC***" shall mean the U.S. Securities and Exchange Commission.

4. Repayment of Erroneously Awarded Compensation.

(a) In the event the Company is required to prepare an Accounting Restatement, the Administrator shall reasonably promptly (in accordance with the applicable Clawback Rules) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall reasonably promptly thereafter provide each Executive Officer with written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Clawback Eligible Incentive Compensation based on stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Administrator based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Clawback Eligible Incentive Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Listing Exchange). The Administrator is authorized to engage on behalf of the Company any third-party advisors it deems advisable in order to perform any calculations contemplated by this Policy. For the avoidance of doubt, recovery under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or such Executive Officer being found responsible for the accounting error leading to an Accounting Restatement.

(b) In the event that any repayment of Erroneously Awarded Compensation is owed to the Company, the Administrator shall recover reasonably promptly the Erroneously Awarded Compensation through any Method of Recovery it deems reasonable and appropriate in its discretion based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. For the avoidance of doubt, except to the extent permitted pursuant to the Clawback Rules, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated in this Section 4(b) if recovery would be Impracticable. In implementing the actions contemplated in this Section 4(b), the Administrator will act in accordance with the listing standards and requirements of the Listing Exchange and with the applicable Clawback Rules.

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of U.S. federal securities laws, including any disclosure required by applicable SEC rules.

6. Indemnification Prohibition. The Company shall not be permitted to indemnify any Executive Officer against the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy and/or pursuant to the Clawback Rules or to pay or reimburse any Executive Officer for the cost of third-party insurance purchased by an Executive Officer to cover any such loss under this Policy and/or pursuant to the Clawback Rules. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date). Any such purported indemnification (whether oral or in writing) shall be null and void.

7. Interpretation. The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of the Clawback Rules. The terms of this Policy shall also be construed and enforced in such a manner as to comply with applicable law, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other law or regulation that the Administrator determines is applicable. In the event any provision of this Policy is determined to be unenforceable or invalid under applicable law, such provision shall be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required by applicable law.

8. Effective Date. This Policy shall be effective as of the Effective Date.

9. Amendment; Termination. The Administrator may modify or amend this Policy, in whole or in part, from time to time in its discretion and shall amend any or all of the provisions of this Policy as it deems necessary, including as and when it determines that it is legally required by the Clawback Rules, or any federal securities law, SEC rule or Listing Exchange rule. The Administrator may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate the Clawback Rules, or any federal securities law, SEC rule or Listing Exchange rule. Furthermore, unless otherwise determined by the Administrator or as otherwise amended, this Policy shall automatically be deemed amended in a manner necessary to comply with any change in the Clawback Rules.

10. Other Recoupment Rights; No Additional Payments. The Administrator intends that this Policy will be applied to the fullest extent permitted by applicable law. The Administrator may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Executive Officers shall be deemed to have accepted continuing employment on terms that include compliance with the Policy, to the extent of its otherwise applicable provisions, and to be contractually bound by its enforcement provisions. Executive Officers who cease employment or service with the Company shall continue to be bound by the terms of the Policy with respect to Clawback Eligible Incentive Compensation. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law, regulation, or rule or pursuant to the terms of any similar policy in any employment agreement, cash-based bonus plan, equity award agreement or similar agreement and any other legal remedies available to the Company. To the extent that an Executive Officer has already

reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy, as determined by the Administrator in its sole discretion. Nothing in this Policy precludes the Company from implementing any additional clawback or recoupment policies with respect to Executive Officers or any other service provider of the Company. Application of this Policy does not preclude the Company from taking any other action to enforce any Executive Officer's obligations to the Company, including termination of employment or institution of civil or criminal proceedings or any other remedies that may be available to the Company with respect to any Executive Officer.

11. Successors. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, estates, heirs, executors, administrators, or other legal representatives to the extent required by the Clawback Rules or as otherwise determined by the Administrator.

Updated November 2023

Exhibit A

COPA HOLDINGS, S.A. POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

ACKNOWLEDGEMENT AND ACCEPTANCE FORM

Capitalized terms used but not otherwise defined in this Acknowledgement and Acceptance Form shall have the meanings ascribed to such terms in the Copa Holdings, S.A. Policy for the Recovery of Erroneously Awarded Compensation (the "***Policy***"). By signing below, the undersigned executive officer (the "***Executive Officer***") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Policy, and, in addition, the Executive Officer acknowledges and agrees as follows:

(a) the Executive Officer is and will continue to be subject to the Policy and that the Policy will apply both during and after the Executive Officer's employment with the Company;

(b) to the extent necessary to comply with the Policy, the Policy hereby amends any employment agreement, equity award agreement or similar agreement that the Executive Officer is a party to with the Company;

(c) the Executive Officer shall abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company to the extent required by, and in a manner permitted by, the Policy;

(d) any amounts payable to the Executive Officer, including any Incentive-based Compensation, shall be subject to the Policy as may be in effect and modified from time to time in the sole discretion of the Administrator or as required by applicable law or the requirements of the Listing Exchange, and that such modification will be deemed to amend this acknowledgment;

(e) the Company may recover compensation paid to the Executive Officer through any Method of Recovery the Administrator deems appropriate, and the Executive Officer agrees to comply with any request or demand for repayment by the Company in order to comply with the Policy; and

(f) the Company may, to the greatest extent permitted by applicable law, reduce any amount that may become payable to the Executive Officer by any amount to be recovered by the Company pursuant to the Policy to the extent such amount has not been returned by the Executive Officer to the Company prior to the date that any subsequent amount becomes payable to the Executive Officer.

Exhibit B

LIST OF EXECUTIVE OFFICERS AND INDIVIDUALS WHO ARE NOT "EXECUTIVE OFFICERS" DETERMINED BY THE COMPENSATION COMMITTEE OF THE BOARD TO BE SUBJECT TO THE CLAWBACK RULES POLICY

1. Chief Executive Officer
2. Chief Financial Officer
3. Chief Operating Officer
4. Chief Commercial Officer/Commercial & Planning Sr VP
5. Chief Human Resources Officer
6. Chief Information Officer
7. Chief Accounting Officer

Updated November 2023